

2015

Truth in Taxation Public Hearing

2015 Proposed Budget and Property Tax Levy
City of Duluth, Minnesota

Mayor Don Ness

CITY COUNCILORS

Zack Filipovich
Jay Fosle
Sharla Gardner
Howie Hanson
Jennifer Julsrud
Linda Krug
Emily Larson
Barb Russ
Joel Sipress

CHIEF ADMINISTRATIVE OFFICER
David Montgomery



City of Duluth Minnesota - 2015 Budget

2015 Proposed Final Property Tax Levy

| | 2014 Approved Levy | 2015 Proposed Levy | Change In Levy | % Change in Levy | % Change in Tax Rate * |
|---------------------------------------|----------------------|----------------------|-------------------|------------------|------------------------|
| General Operations Levy | | | | | |
| General Operations | \$ 12,749,800 | \$ 12,999,800 | \$ 250,000 | 1.29% | |
| New Growth | \$ - | \$ 114,700 | \$ 114,700 | 0.59% | |
| Provision for Tax Delinquency | \$ 150,000 | \$ 150,000 | \$ - | | |
| Total General Operations Levy | \$ 12,899,800 | \$ 13,264,500 | \$ 364,700 | 1.88% | 0.00% |
| Capital Projects Levy | | | | | |
| Debt Service | \$ 6,261,200 | \$ 6,574,300 | \$ 313,100 | 1.61% | |
| Infrastructure Permanent Improvements | \$ 280,000 | \$ 280,000 | \$ - | | |
| Total Capital Projects Levy | \$ 6,541,200 | \$ 6,854,300 | \$ 313,100 | 1.61% | 0.00% |
| Total City Property Tax Levy | \$ 19,441,000 | \$ 20,118,800 | \$ 677,800 | 3.49% | 0.00% |
| Parks Referendum Levy | \$ 2,600,000 | \$ 2,600,000 | \$ - | | |

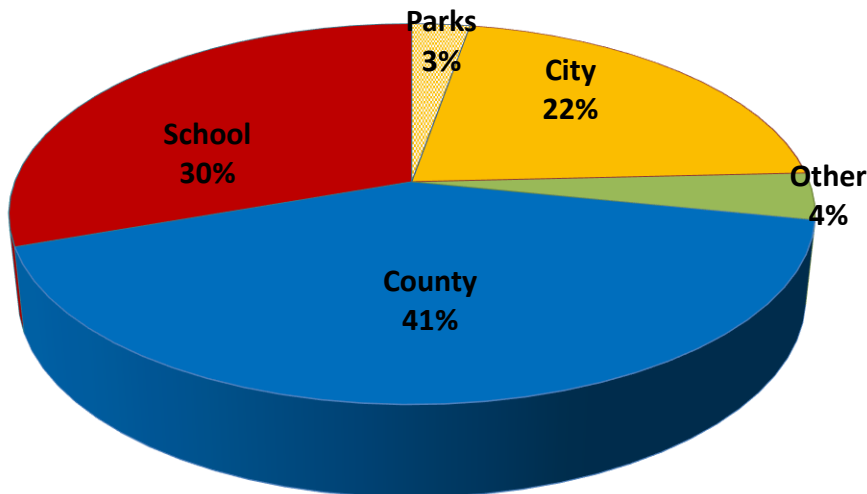
*Due to decertification of TIF district 20 (United Healthcare), Job Z properties value increases, and a larger than anticipated growth in tax capacity, the City of Duluth's tax rate for 2015 is remaining flat.

Increase in Annual Property Tax Bill for \$156,000 Homestead Value

Annual City Portion:

| | |
|---------------------------------------|--------|
| 2014 Average Homestead Property Taxes | \$ 503 |
| 2015 Property Taxes as Proposed | \$ 503 |
| Proposed Increase | \$ - |

Breakdown of Average Homestead Property Tax Bill by Taxing Entity



| Average Tax Bill | |
|------------------|-----------------|
| County | \$ 860 |
| School | \$ 631 |
| City | \$ 503 |
| Other | \$ 82 |
| TOTAL | \$ 2,076 |

ST LOUIS COUNTY
 AUDITOR
 DONALD DICKLICH
 100 N 5TH AVE W ROOM 214
 DULUTH MN 55802
 www.stlouiscountymn.gov

Taxpayer # XXXXX

Average Homesteader
 123 Main Street
 DULUTH MN

Property Information

PIDNumber:
 XXX-XXXX-XXXXX

Property: 123 Main Street\Duluth

Property Description: Acres .00
 Main Street Division of Duluth
 Sec: Twp: .0 Rg: Lot:0000 Blk :

| PROPOSED TAXES 2015 | | | |
|---|---------------------------|------------------|-----------|
| THIS IS NOT A BILL. DO NOT PAY. | | | |
| Step | VALUES AND CLASSIFICATION | | |
| | Taxes Payable Year | 2014 | 2015 |
| 1 | Estimated Market Value | 156,000 | 156,000 |
| | Homestead Exclusion | 23,200 | 23,200 |
| | Other Exclusions | 0 | 0 |
| | Taxable Market Value | 132,800 | 132,800 |
| | Class: | RES HMSTD | RES HMSTD |
| Step | PROPOSED TAX | | |
| 2 | Proposed Tax | 2,076.00 | |
| Step | PROPERTY TAX STATEMENT | | |
| 3 | Coming in 2015 | To Be Determined | |
| <p>The time to provide feedback on PROPOSED LEVIES is NOW It is too late to appeal your value without going to Tax Court.</p> | | | |

| Proposed Property Taxes and Meetings by Jurisdiction for Your Property | | | |
|--|--|-----------------|-----------------|
| Contact Information | Meeting Information | Actual2014 | Proposed 2015 |
| State General Tax | No public meeting | .00 | .00 |
| ST LOUIS COUNTY ST LOUIS COUNTY ADMIN 100 N 5TH AVE W,ROOM 202 DULUTH MN 55802 218-726-2383 www.stlouiscountymn.gov | 12/04/2014 7:00 PM VIRGINIA COURTHOUSE 12/11/2014 7:00 PM DULUTH COURTHOUSE | 844.60 | 859.47 |
| CITY OF DULUIH CITY OF DULUIH 400 W 1ST ST ROOM 107 DULUTH MN 55801 (218) 730-5195 | 12/08/2014 7:00 PM CITY COUNCIL CHAMBER 411 W 1ST ST DULUTH MN 55802 | 503.39 | 503.25 |
| School District: 709 BUSINESS OFFICE 215 N 1ST AVE E DULUTH MN 55802 (218)336-8704 www.isd709.org | 12/16/2014 6:30 PM HOCHS BOARD ROOM 215 N FIRST AVE E DULUTH MN 55802 | 120.89 | 68.93 |
| Voter Approved Levies | | 517.48 | 562.04 |
| Other Levies | | | |
| Special Taxing District | | 83.92 | 82.31 |
| Tax Increment Tax | | .00 | .00 |
| Fiscal Disparity Tax | | .00 | .00 |
| Total excluding any special assessments | | 2,070.28 | 2,076.00 |
| | | | .3 % |

TAX BILL FOOTNOTES

Classification changes can significantly impact an individual's property tax burden. For example, homestead properties are taxed at a different rate than non-homestead, seasonal, or commercial/industrial.

Market Value and Tax Capacity Value are used to apply the various tax rates against the property to figure the tax bill. An increase can occur due to new construction or reassessments.

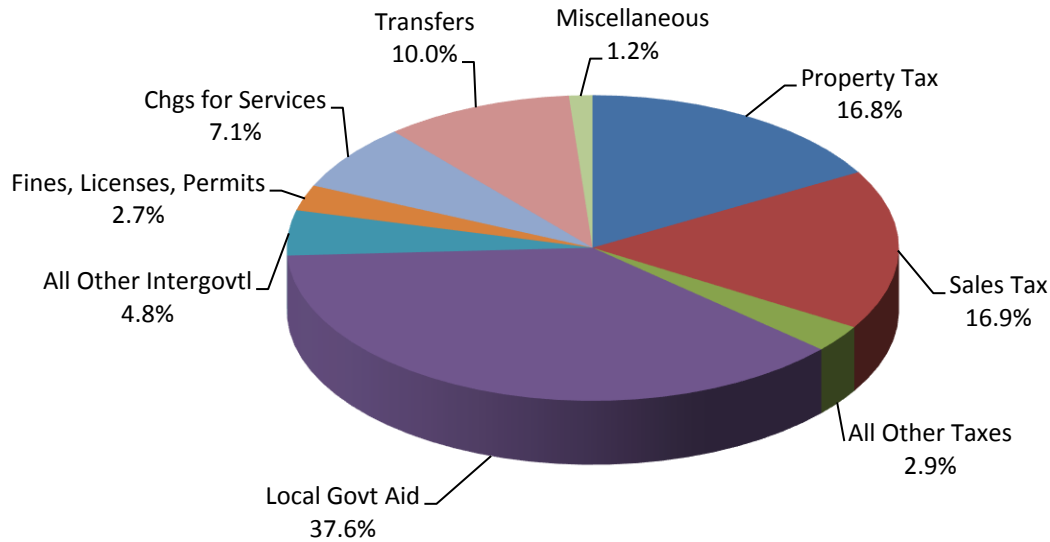
There are columns showing the actual 2014 property tax for each taxing authority compared to the proposed 2015 property tax.

If the overall tax bill is significantly higher than the previous year's, the property taxpayer may file for a refund from the State of Minnesota. This can take the form of a rebate on increases over 12%, with a \$100 minimum increase; or the circuit breaker program based on ability to pay.

City of Duluth Minnesota - 2015 Budget

GENERAL FUND PROPOSED REVENUES

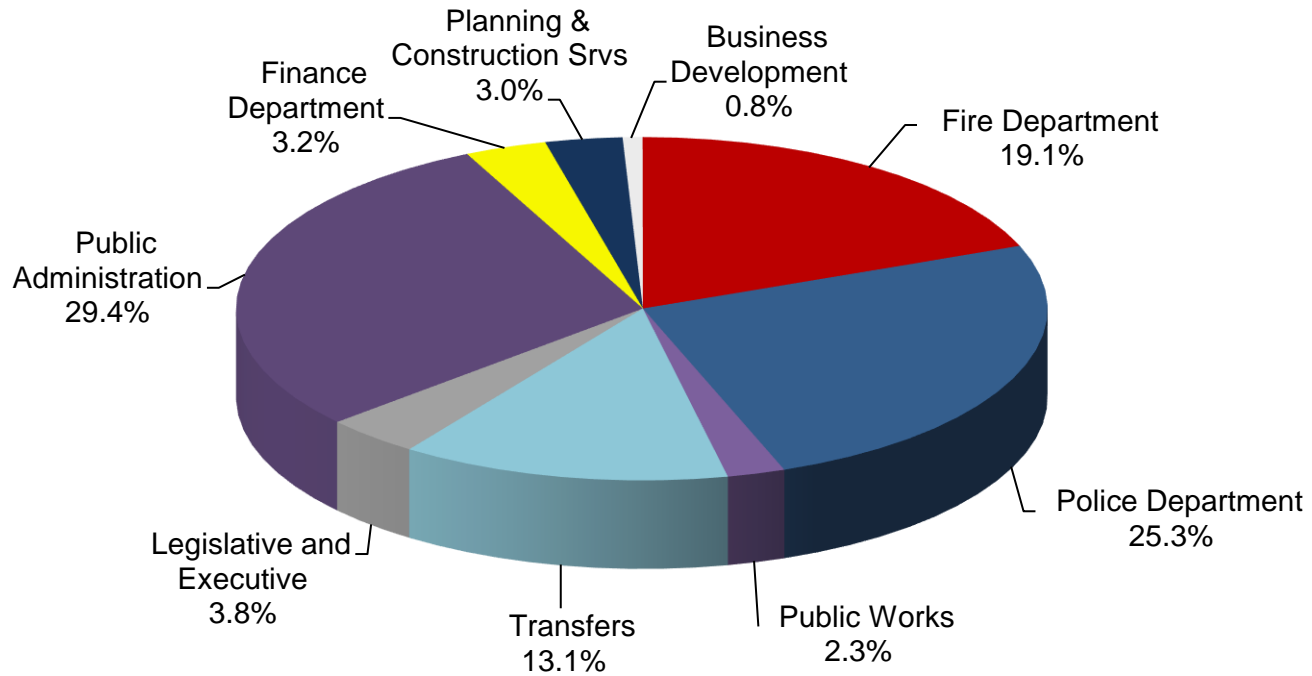
Percent of Total by Major Category



| | | |
|-------------------------------------|-----------|-------------------|
| Property Tax - Current & Delinquent | \$ | 13,014,500 |
| City Sales Tax | \$ | 13,160,000 |
| All Other Taxes | \$ | 2,236,000 |
| Local Government Aid | \$ | 29,203,600 |
| All Other Intergovernmental | \$ | 3,704,800 |
| Licenses and Fines | \$ | 2,116,000 |
| Charges for Services | \$ | 5,498,000 |
| Transfers from Other Funds | \$ | 7,773,100 |
| Miscellaneous | \$ | 962,000 |
| TOTAL 2015 REVENUES | \$ | 77,668,000 |

This graph shows the major categories of revenues expressed as a percent of total General Fund revenues estimated for budget fiscal year 2015. The City's policy of maintaining a diverse revenue base is reflected in the categories of revenues listed above, with almost 200 separate budgeted sources of revenue detailed within the Revenue Source Summary that follows this graph. Although, the City does have a wide variety of revenues, the reader will note the City's relative dependence on Local Government Aid, which constitutes 38% of all General Fund revenues. For this reason, Local Government Aid is monitored closely at the State Legislature.

GENERAL FUND PROPOSED EXPENSES
Percent of Total by Department



| | | |
|------------------------------|----|------------|
| Legislative and Executive | \$ | 2,943,800 |
| Public Administration | \$ | 22,805,400 |
| Finance Department | \$ | 2,527,900 |
| Planning & Construction Svcs | \$ | 2,386,600 |
| Business Development | \$ | 611,200 |
| Fire Department | \$ | 14,797,200 |
| Police Department | \$ | 19,662,300 |
| Public Works | \$ | 1,784,200 |
| Transfers | \$ | 10,149,400 |
| | | |
| TOTAL 2015 EXPENDITURES | \$ | 77,668,000 |

This graph shows the General Fund Departmental budgets as a percent of the total General Fund expenditures for budget fiscal year 2015. The largest category of expense is public safety with the Police and Fire Departments comprising 44.4% of the total; followed by the Public Administration Department which includes Maintenance Operations, City Clerk, Library, Human Resources, and Information Technology at 29.4%. The Transfers Department comprises 13.1% of the total. The remaining five departments totaled together are 13.1%, with no department exceeding 5%.

City of Duluth Minnesota - 2015 Budget

| General Fund Expenses | 2012 Actual | 2013 Actual | 2014 Approved | 2015 Proposed |
|---|------------------------|------------------------|--------------------------|--------------------------|
| LEGISLATIVE AND EXECUTIVE | | | | |
| City Council | 118,228 | 109,369 | 135,300 | 179,200 |
| Mayor's Office | 254,141 | 295,084 | 295,900 | 397,100 |
| Chief Administrative Officer | 279,073 | 288,620 | 298,800 | 313,900 |
| Attorney's Office | 1,844,002 | 1,906,678 | 1,920,500 | 2,053,600 |
| DEPARTMENT TOTAL | 2,495,444 | 2,599,751 | 2,650,500 | 2,943,800 |
| PUBLIC ADMINISTRATION | | | | |
| Human Resources | 996,893 | 1,003,644 | 1,161,500 | 1,149,300 |
| Information Technology | 2,194,104 | 2,206,540 | 2,763,800 | 2,740,900 |
| City Clerk's | 712,192 | 863,514 | 852,100 | 816,400 |
| Maintenance Operations | 10,688,376 | 10,883,611 | 9,795,000 | 9,805,100 |
| Library Services | 4,025,774 | 4,154,021 | 4,185,800 | 4,160,100 |
| Facilities Management | 3,370,576 | 3,599,433 | 3,810,100 | 4,133,600 |
| DEPARTMENT TOTAL | 21,987,915 | 22,710,763 | 22,568,300 | 22,805,400 |
| FINANCE | | | | |
| Budget Office | 427,210 | 289,780 | 352,000 | 348,900 |
| Assessor's Office | 862,284 | 443,817 | | |
| Auditor's Office | 1,370,670 | 1,203,695 | 1,172,700 | 1,218,700 |
| Purchasing | 180,980 | 188,302 | 210,100 | 187,800 |
| Treasurer's Office | 383,314 | 773,485 | 862,200 | 772,500 |
| DEPARTMENT TOTAL | 3,224,458 | 2,899,079 | 2,597,000 | 2,527,900 |
| PLANNING & CONSTRUCTION SERVICES | | | | |
| Physical Planning | 701,997 | 775,221 | 734,700 | 734,900 |
| Const. Srvs & Inspection | 1,436,898 | 1,532,552 | 1,601,800 | 1,651,700 |
| DEPARTMENT TOTAL | 2,138,895 | 2,307,773 | 2,336,500 | 2,386,600 |
| BUSINESS DEVELOPMENT | 557,654 | 565,210 | 733,600 | 611,200 |
| FIRE DEPARTMENT | | | | |
| Fire Administration | 425,098 | 472,976 | 555,900 | 422,900 |
| Fire Operations | 12,421,462 | 13,157,326 | 12,873,800 | 13,346,800 |
| Life Safety | 1,079,036 | 1,025,700 | 1,062,800 | 1,027,500 |
| DEPARTMENT TOTAL | 13,925,596 | 14,656,002 | 14,492,500 | 14,797,200 |
| POLICE DEPARTMENT | | | | |
| Police Admin/Investigation | 8,931,854 | 8,864,453 | 9,089,000 | 9,410,100 |
| Patrol Division | 9,888,033 | 10,062,823 | 9,982,000 | 10,252,200 |
| DEPARTMENT TOTAL | 18,819,887 | 18,927,276 | 19,071,000 | 19,662,300 |
| PUBLIC WORKS | | | | |
| Director's Office | 47,012 | 46,859 | 48,800 | 50,400 |
| Transportation Engineering | 1,586,692 | 1,665,896 | 1,683,200 | 1,733,800 |
| DEPARTMENT TOTAL | 1,633,704 | 1,712,755 | 1,732,000 | 1,784,200 |
| TRANSFERS | 10,369,215 | 8,497,557 | 10,226,500 | 10,149,400 |
| DEPARTMENT TOTAL | 10,369,215 | 8,497,557 | 10,226,500 | 10,149,400 |
| Total General Fund | 75,152,768 | 74,876,166 | 76,407,900 | 77,668,000 |

2015 Proposed General Fund Budget by Type in millions

| | 2013 Approved Budget | 2014 Approved Budget | 2015 Proposed Budget | Variance 2014 Approved Budget vs 2015 Proposed Budget | |
|---------------------------------------|----------------------|----------------------|----------------------|---|-------------|
| | | | | \$ | % |
| REVENUES | | | | | |
| General Operations Levy | 12.072 | 12.900 | 13.015 | 0.115 | 0.9% |
| City Sales Tax | 12.500 | 12.900 | 13.160 | 0.260 | 2.0% |
| All Other Taxes | 2.061 | 2.087 | 2.236 | 0.149 | 7.1% |
| Local Government Aid | 27.449 | 29.043 | 29.203 | 0.160 | 0.6% |
| Pension Aids | 1.724 | 1.724 | 1.724 | - | 0.0% |
| All Other Intergovernmental | 2.021 | 2.289 | 1.981 | (0.308) | -13.5% |
| Charges for Services | 3.478 | 3.575 | 3.397 | (0.178) | -5.0% |
| Building Inspection Fees | 1.920 | 2.035 | 2.101 | 0.066 | 3.2% |
| Licenses and Permits | 1.374 | 1.479 | 1.576 | 0.097 | 6.6% |
| Fines | 0.746 | 0.613 | 0.540 | (0.073) | -11.9% |
| Earnings on Investments | 0.175 | 0.305 | - | (0.305) | -100.0% |
| Payment in Lieu of Tax | 2.436 | 2.872 | 3.931 | 1.059 | 36.9% |
| Transfer from Other funds | 4.840 | 3.688 | 3.842 | 0.154 | 4.2% |
| Miscellaneous Revenues | 1.177 | 0.897 | 0.962 | 0.065 | 7.2% |
| | | | | | |
| Revenue Totals | 73.973 | 76.407 | 77.668 | 1.261 | 1.7% |
| | | | | | |
| EXPENSES | | | | | |
| SALARIES | | | | | |
| Permanent Salaries | 36.857 | 37.920 | 38.364 | 0.444 | 1.2% |
| Overtime | 1.102 | 1.208 | 1.494 | 0.286 | 23.7% |
| Other Wages | 0.404 | 0.494 | 0.497 | 0.003 | 0.6% |
| Total Salaries | 38.363 | 39.622 | 40.355 | 0.733 | 1.8% |
| | | | | | |
| BENEFITS | | | | | |
| PERA | 4.067 | 4.396 | 4.731 | 0.335 | 7.6% |
| Payroll Taxes | 1.702 | 1.757 | 1.778 | 0.021 | 1.2% |
| Employee Insurances | 8.423 | 9.159 | 9.251 | 0.092 | 1.0% |
| Total Benefits | 14.192 | 15.312 | 15.760 | 0.448 | 2.9% |
| | | | | | |
| OTHER EXPENSE/CAPITAL | | | | | |
| Supplies | 3.662 | 3.476 | 3.081 | (0.395) | -11.4% |
| Other Services and Charges | 8.756 | 9.229 | 9.629 | 0.400 | 4.3% |
| Utilities | 1.251 | 1.226 | 1.226 | - | 0.0% |
| Retiree Insurance | 7.430 | 7.225 | 7.225 | - | 0.0% |
| Capital | 0.319 | 0.317 | 0.392 | 0.075 | 23.7% |
| Total Other Expense | 21.418 | 21.473 | 21.553 | 0.080 | 0.4% |
| | | | | | |
| Proposed Budget Expense Totals | 73.973 | 76.407 | 77.668 | 1.261 | 1.7% |

2015 Proposed General Fund Budget by Type

Bridge Schedule Outlining Variances over 2014 Approved Budget and 2015 Proposed Budget

| | \$ Variance in Millions | Narrative |
|-------------------------------|----------------------------|---|
| 2014 Approved Revenues | \$ 76.407 | |
| General Operations Levy | 0.115 | New Growth |
| City Sales Tax | 0.260 | Based on 2014 projected sales |
| Licenses and Permits | 0.097 | Based on current projections |
| Local Government Aid | 0.160 | Certified LGA |
| All Other Intergovernmental | (0.308) | MSA and Fire Department Safer Grant |
| Fines and Forfeits | (0.073) | Based on current projections |
| Payment in Lieu of Tax | 1.059 | 2014 projected gas sales due to severe winter |
| Earnings on Investments | (0.305) | Moving revenue to OPEB fund |
| All Other Revenues | 0.256 | All other changes throughout |
| Total Revenue Changes | 1.261 | |

| | | |
|-------------------------------|------------------|--|
| 2015 Proposed Revenues | \$ 77.668 | |
|-------------------------------|------------------|--|

| | | |
|-------------------------------|------------------|---|
| 2014 Approved Expenses | \$ 76.407 | |
| Permanent Salaries | 0.444 | Per current contracts |
| Overtime | 0.286 | Accurately reflect usage |
| PERA, Payroll Taxes | 0.356 | Due to salary increases and state mandated increase of employer share of PERA |
| All Other Expenses | 0.175 | |
| Total Expense Changes | 1.261 | |

| | | |
|-------------------------------|------------------|--|
| 2015 Proposed Expenses | \$ 77.668 | |
|-------------------------------|------------------|--|