



Proposed Final Budget and Truth in Taxation

City of Springfield Resolution 24-091101 Approving Proposed 2024 Tax Levy, Collectible in 2025 was approved at the September 11th, 2024, meeting setting a total maximum levy of \$1,496,358 (7.63% over 2023 levy). This resolution also recertified that the ratio between the benefits resulting from tax supported municipal services to parcels of land of like market value, situated in the Rural Service District and in the Urban Service District, respectively, is 0.3 to 1. Meaning that agricultural land which does not require city services is taxed at a lower rate than other property within the city.

Since this meeting in September, the budget has been reassessed and *the proposed final budget included for the 12/18/2024 council meeting reflects a 4.47% increase* over last year. Below is a comparison of last year’s levy, the maximum levy set in September, and the proposed final levy.

Budget Comparison	Payable 2024 Final Levy	Payable 2025 Max Levy 9/11/24 (7.63%)	Payable 2025 Final Levy 12/18/24 (4.47%)
<u>General Fund Operating</u>	\$1,133,468	\$1,317,764	\$1,273,901
<u>Debt Service</u>			
\$1,295,000 GO Bonds 2010A (Fund 327)	\$69,058	\$48,604	\$48,604
\$1,745,000 GO Bonds 2018A (323)	\$55,459	\$56,608	\$56,608
\$111,426 Tax GO Abatement 2021A (320)	\$0	\$0	\$0
\$200,000 GO Bonds 2021B-Fire (322)	\$25,442	\$24,812	\$24,812
\$3,935,000 GO Bonds 2021B-Central (324)	\$106,871	\$48,570	\$48,570
Total Debt Service Levy	<u>\$256,830</u>	<u>\$178,594</u>	<u>\$178,594</u>
TOTAL LEVY	\$1,390,298	\$1,496,358	\$1,452,495

Our tax capacity, or the total value of property in Springfield, has increased slightly. Typically, this increase is due to the county’s assessed values increasing, something that the city does not have local control over. According to the Brown County Assessor, in general, residential property values saw a 6.575% increase in Springfield. The effect of homes demolished in 2023 lessens the increase in the tax capacity for 2025. The city should continue working to increase the tax capacity. This can be done through new development of property both commercial and residential, the sale of property from a non-taxable entity to a taxable entity, tax abatements or TIF agreements expiring, encouraging maintenance of current building

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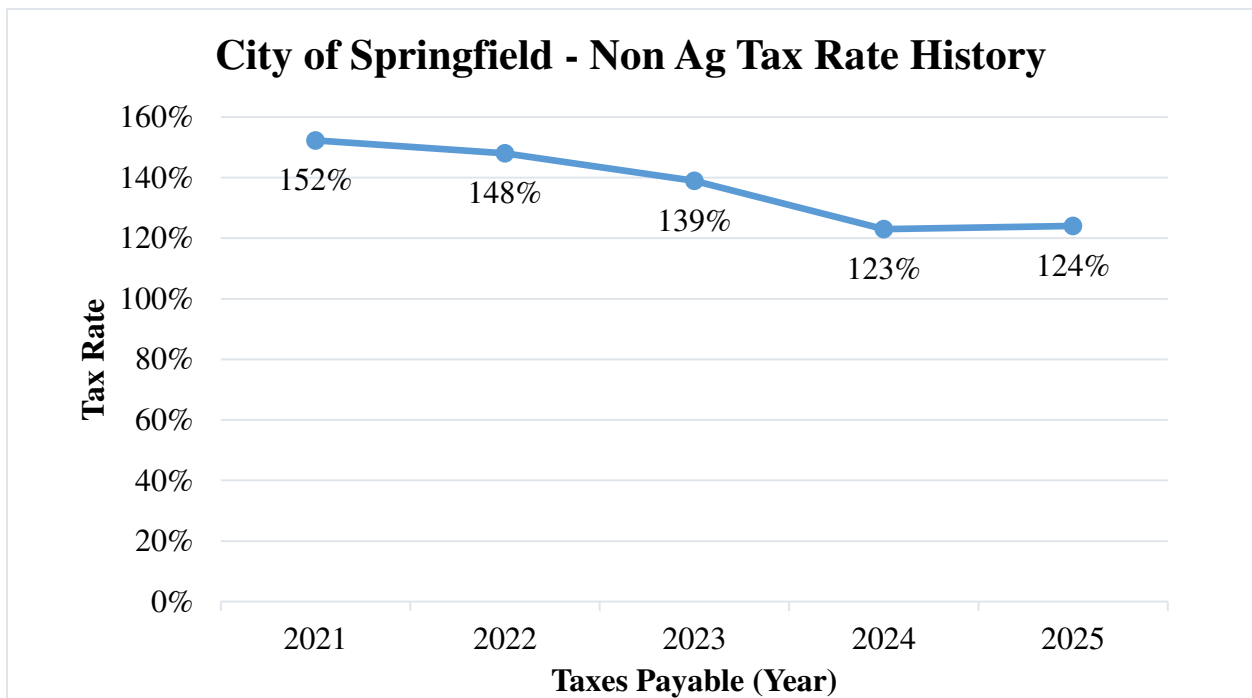
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stock, etc. Because the tax capacity is increasing at a lower percentage than the tax levy, *the city's non-ag tax rate is expected to increase* as shown in the tables below.

Tax Capacity Comparison (Total Levy/Net Tax Capacity*100=Tax Rate)	Payable 2024:	Estimated Payable 2025 with 7.63% increase:	Estimated Payable 2025 with 4.47% increase:
Total Levy	\$1,390,298	\$1,496,358	\$1,452,495
Estimated Net Tax Capacity:	1,134,823	1,167,718	1,167,718
Tax Rate:	123.45%	128.14%	124.39%



Residents whose assessed value has not changed will see an increase in the city portion of their taxes. Residents whose assessed value has increased may see a larger increase in city taxes depending on the newly assessed value of their home (which is determined by the county assessor). Examples of different home values are detailed in the following tables.



Estimated Taxes Payable - When County Assessed Home Value has NOT changed

Home Value	Home Tax Cap	Estimated Payable 2025 City Tax	Estimated Payable 2025 Per Month	Per Month Increase (Decrease)	Annual Increase (Decrease)
\$100,000.00	718	\$893.12	\$74.43	\$0.56	\$6.75
\$150,000.00	1263	\$1,571.05	\$130.92	\$0.99	\$11.87
\$200,000.00	1808	\$2,248.97	\$187.41	\$1.42	\$17.00
\$250,000.00	2353	\$2,926.90	\$243.91	\$1.84	\$22.12

Estimated Taxes Payable - With 6.575% Increase to County Assessed Home Value

Home Value	Home Tax Cap	Estimated Payable 2025 City Tax	Estimated Payable 2025 Per Month	Per Month Increase (Decrease)	Annual Increase (Decrease)
\$106,575.00	789	\$981.44	\$81.79	\$7.92	\$95.07
\$159,862.50	1370	\$1,704.14	\$142.01	\$12.08	\$144.97
\$213,150.00	1951	\$2,426.85	\$202.24	\$16.24	\$194.87
\$266,437.50	2532	\$3,149.55	\$262.46	\$20.40	\$244.78

2024 Budget Changes:

Personnel Costs

Staff wages and benefits are the most significant piece of the city budget as all of the services in city departments rely on quality, capable staff to function. Retaining staff provides a great benefit to the city and should remain a high priority for the coming year. The following changes and items have already been established or approved by the council:

- The 2024 wage study showed the city’s maximum rates for full-time staff were on average 11% below market. The council approved a new pay scale at 101% of the market average with a 3% COLA increase. This means 49% of the comparable cities pay more than the new scale. Staff previously at the top of the scale will now receive steps which spread out the cost of this increase over the next few years.
- Health insurance costs increasing 9.8%
- Increases to seasonal parks and Rec-complex staff wages to remain competitive.
- Changing staff at different payrates and insurance elections.

General Fund (100)

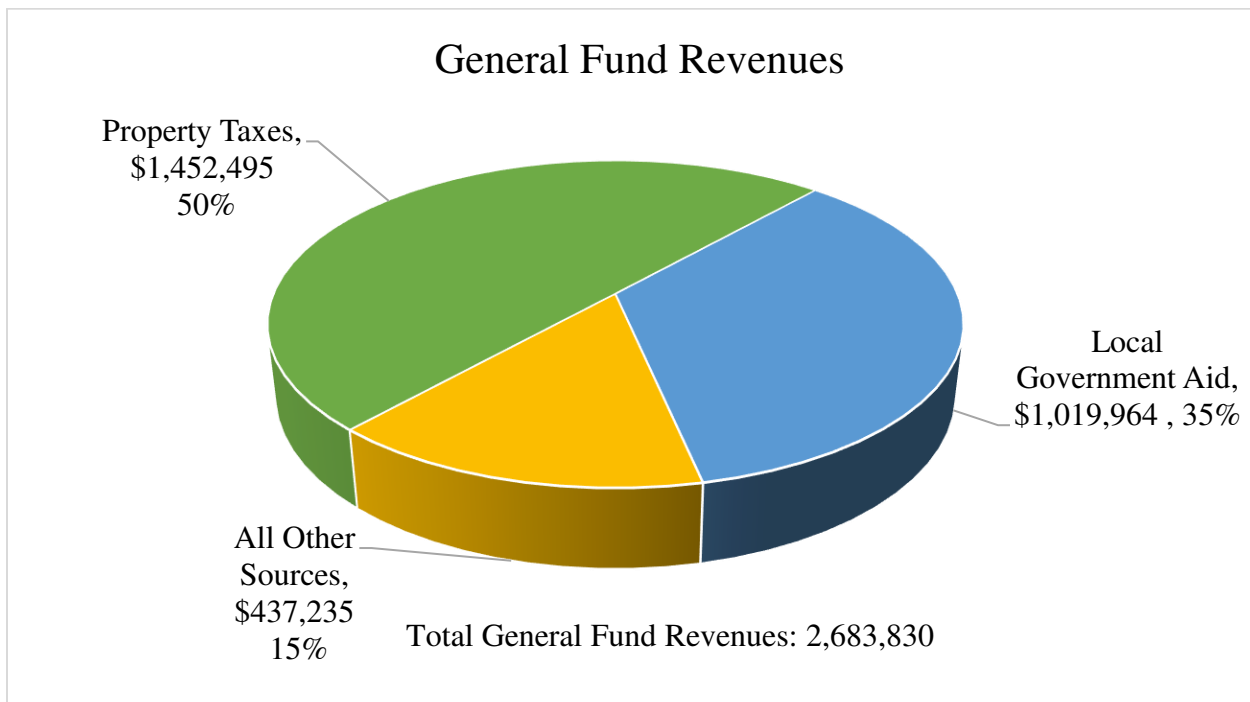
General Fund budgets (Fund 100) and Debt Service Funds (327,323,320,322, and 324) are those that primarily affect the tax levy. The general fund does make transfers to several other



funds (Community Center, EDA, Capital improvement fund 411, etc.). Significant changes to general fund revenue and expenditure are detailed below.

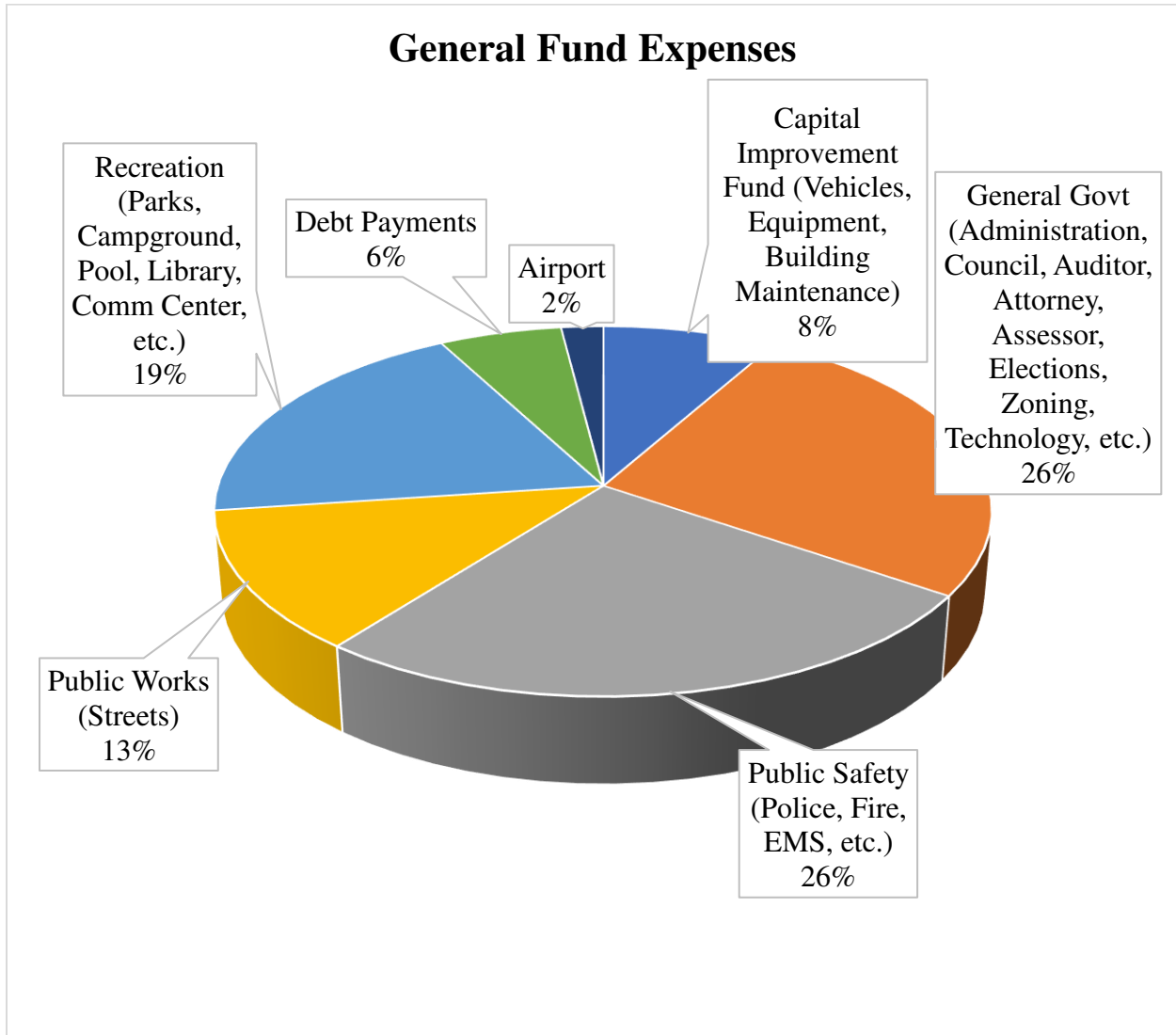
Revenue:

- LGA allotment remained the same.
- State legislature established a funding source for the Small Cities Assistance Account for local streets in 2024 which takes full effect for 2025 – this account will continue to fund streets in future years.
- CenterPoint Energy Franchise Fees implemented.



Expenditure:

- The city saw increased fees for LMCIT property and liability insurance on an individual basis due to an assessment of the city property and increased our deductible to lessen the impact. LMCIT has announced overall rate decreases to property and liability insurance of 8%.
- LMCIT announced a 20% overall decrease to workers comp insurance rate, however our individual rate may increase due to claims.
- Increase to Airport land taxes due to individual renter.
- Some Community Development wages coded to EDA, lessens community center transfer.
- Electric rate increase of 5% for all city facilities.
- Cleaning staff retiring, replace with cleaning service.
- Worked to cleanup contracts and lower fees – TCP, Cintas, Nuvera, Thriveon, etc.



Capital Improvement Fund (411)

The Capital Improvement Fund is where the city sets aside money to maintain its assets including buildings, vehicles, technology and equipment. The purpose of this practice is so that the tax levy may remain steady from year to year without large swings for the purchase of these items which are replaced or maintained in a long-term schedule ranging from years to decades. It is important to adequately fund capital improvements, as it can be difficult to come up with funds to repair or replace these necessary and expensive assets in the short term when there are unexpected failures or issues.

Revenue:



- The transfer from the general fund continues with no inflation adder. An inflation adder should be resumed in 2026
- The 410 fund for park and pool was combined with the 411 fund. The transfer previously going into 410 was \$30,000. This was decreased to \$20,000 and added to the 411 fund transfer.
- A one-time transfer of around \$78,000 was added to the 2025 transfer coming from the closing of fund 423 (Central Street Project).
- The total 2025 transfer to 411 will be \$252,736.
- Few expenditures were approved from the last year with projects and equipment purchases delayed to stabilize the fund balance.

Expenditure:

- Airport:
 - Airport Zoning Update (already in progress and approved 95% match from the state)
 - Airfield Electrical Project (90-95% covered by Federal AIP, Federal BIL, and State funds)
 - Airport snowblower (will be requesting 95% match from the state)
- Fire
 - Replace 1984 City Pumper with used truck
- Police
 - Body cameras
 - Squad cameras (approved camera purchase in 2024 but not completed due to staffing)
 - Current office remodel
- Park
 - Replace split rail fence
 - Woodchipper (80% covered by MPCA if awarded grant)
- Pool
 - Complete pool plastering started in 2024

Public Comment and Additional Information

The Truth in Taxation hearing is set for December 18th, 2024, at 6:00 PM at the Springfield Area Community Center. The public will be given an opportunity to comment on the budget and information listed above. Additional information and a detailed budget for all funds is available for review at city hall by request. For further questions regarding the above information or the proposed budget, please contact City Manager Amber Dale at amber.dale@springfieldmn.org or 507-723-3500.