



CITY OF HIBBING TRUTH-IN-TAXATION 12/6/2023

PRESENTATION FOR THE PROPOSED 2024 BUDGET & 2023 LEVY



Purpose of Truth in Taxation

Enacted in 1988 to:

- Enhance participation in Minnesota's Property Tax System
- Educate the public on how property taxes are determined
- Encourage the public to understand the local government's budget process
- Encourage the public to become involved in helping local officials set spending priorities



Property Tax Cycle

JANUARY – County Assessor assesses both real and personal property (based off prior years' sales data)

BY MARCH 31 – Last day for County Auditor to send property tax statements to property owners (last years' levy, current years' budget)

MARCH/APRIL – Valuation notices sent to property owners (from January assessment). These values will be used in computing proposed tax statements in November & final tax statements following March.



Property Tax Cycle

APRIL/MAY – Local board of Appeal and Equalization convene. The time to appeal your valuation is **at this time.**

MAY 15 – First half of real property taxes due from statement received in March.

AUGUST 15 – Property tax refund returns (Form M1PR) due. You can claim your refund up to one year past this date. Refer to www.revenue.state.mn.us/property-tax-refund

SEPTEMBER 30 – Preliminary budget and levy must be adopted by this date. The levy in the preliminary budget is reflected in Proposed tax statements.



Property Tax Cycle

OCTOBER 15 – Second half of real property taxes due from statement received in March.

NOVEMBER 10-25 – Truth-in-taxation notices sent to property owners. Proposed tax statement is based off preliminary budgets and valuations sent in March.

NOVEMBER 25 – Truth-in-Taxation meetings may occur on or after this date.

DECEMBER – The City adopts its final budget and levy for taxes paid in following year. The final levy cannot exceed in the preliminary levy. December 31 is the last day for real property owners to file a homestead application with the assessor.



How was your proposed tax statement determined?

PROPOSED TAXES PAYABLE 2024				
THIS IS NOT A BILL. DO NOT PAY.				
Step 1	VALUES AND CLASSIFICATION			
	Taxes Payable Year	2023	2024	
	Estimated Market Value	125,200	156,500	<i>Buyers/Sellers create the value - Assessor studies the market</i>
	Homestead Exclusion	25,972	23,155	<i>40% of the first \$76,000, minus 9% of the value over \$76,000.</i>
	Other Exclusions	0	0	
	Taxable Market Value	99,228	133,345	<i>EMV minus exclusions</i>
	Class:	Res Hmstd	Res Hmstd	<i>Classes and rates determined by the State i.e. hmstd, nonhmstd, commercial/indus., etc.</i>

Tax Market Value x Class Rate = **Tax Capacity of Property.**

The first \$500,000 in taxable market value of hmstd prop has rate of 1%. Remainder is 1.25%



How was your proposed tax statement determined?

STEP 2: DETERMINE TAX CAPACITY EXTENSION RATE AND NET PROPERTY TAXES PAYABLE

County levy + School levy + City levy	=	Tax Capacity Extension Rate (169%, for example)
Tax Capacity of all property		

	PROPOSED TAX	
Step	Property taxes before credits	2,253.53
	School building bond credit	0
2	Agriculture market value credit	0
	Other Credits	315.10
	Property taxes after credits	1,938.43

*=tax capacity of prop x tax capacity ext rate, for example
=133,345 x 1%x169%
tax credits - in this example taconite supplemental aid
66% of homestead tax up to a max of \$315.10*



Meetings by Jurisdiction (Hibbing 12/6/23 @6:00 pm)

Proposed Property Taxes & Meetings by Jurisdiction for Your Property

Contact Information

St. Louis County

City of Hibbing

School District

Special District

Meeting Information

Actual 2023 Proposed 2024

Total excluding any special assessments

\$\$\$

1938.43

***PROPOSED TAX STATEMENTS ARE PREPARED USING ALL JURISDICTIONS PRELIMINARY BUDGETS
THEY EXCLUDE ANY SPECIAL ASSESSMENTS**



Final Budget/Levy adoption

Final Budgets and Levy must be adopted before the end of December for certification to County Auditor

The final levy cannot exceed the preliminary levy. The City of Hibbing approved a preliminary levy increase of 9.99% over last year. The proposed final levy is for a 5.97% increase over last year.

Final 2023 levy will be reflected in 2024 tax statements printed in March – Example on next slide



Example Property Tax Statement Received in March – Pay May & Oct

Property ID: _____

2018 Property Tax Statement

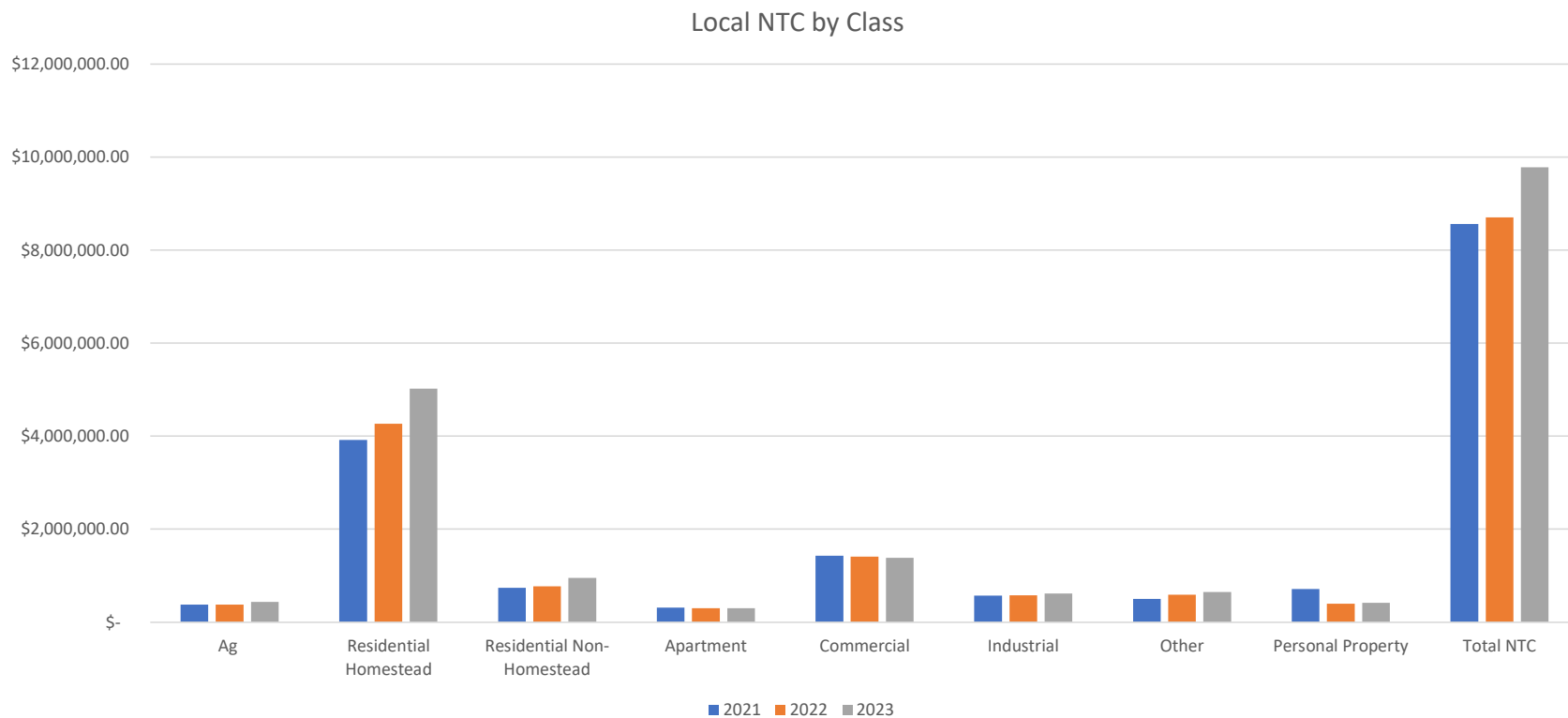
VALUES & CLASSIFICATION		2018
STEP 1	Taxes Payable Year: Estimated Market Value:	
	Homestead Exclusion: Taxable Market Value: New Improvements/ Expired Exclusions: Property Classification:	
Sent in March 2017 PROPOSED TAX		
STEP 2	Proposed Tax: (excluding special assessments) Sent in November 2017	
PROPERTY TAX STATEMENT		

Final tax statement is sent in March with payment stubs to remit payment. Many properties have their payment escrowed with their mortgage.

Final adopted levy for all jurisdictions will be recalculated in final tax statement March 2024.



Local Net Tax Capacity of Hibbing

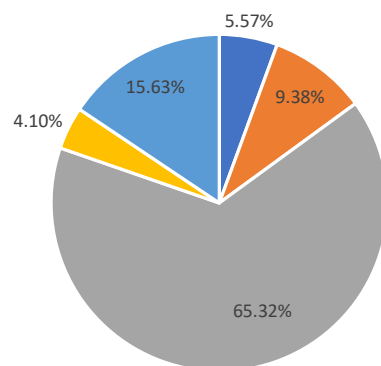




Taxable Market Value - Hibbing

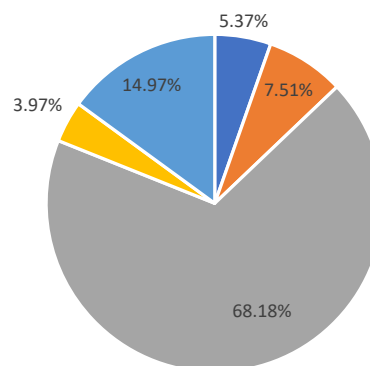
Taxable Market Value
713,497,359

2021 Taxable Market Value



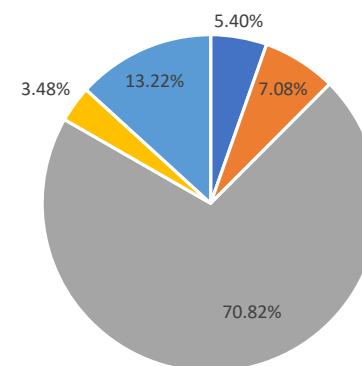
Taxable Market Value
739,831,872

2022 Taxable Market Value



Taxable Market Value
842,318,943

2023 Taxable Market Value

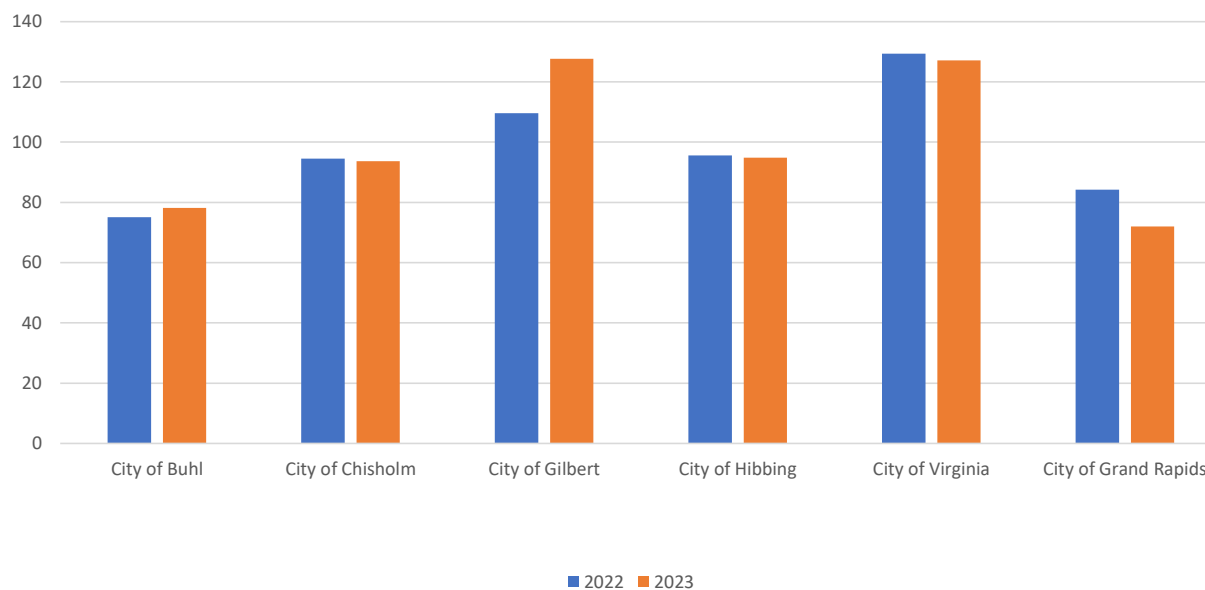


■ Agricultural ■ Other ■ Residential ■ Apartment ■ Commercial/Industrial



Average City NTC rate comparison

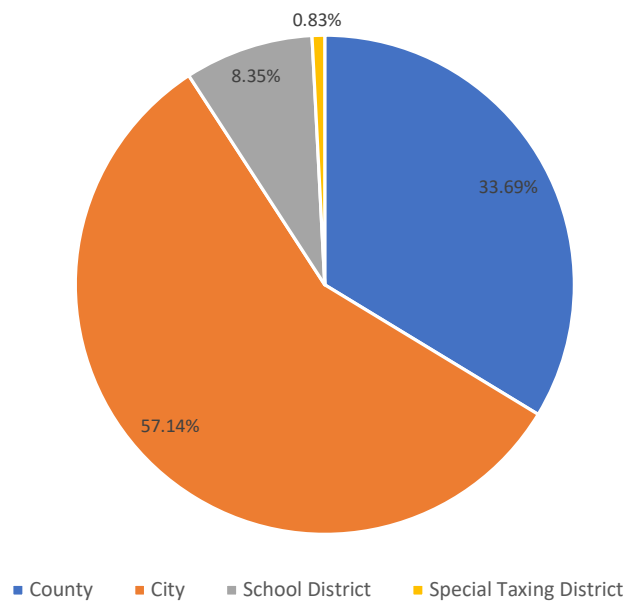
Avg Local NTC Rate Neighboring Communities





Average City NTC rate comparison

NTC Tax Rate by Entity - 2023





Final Proposed 2024 City Budget

Where Does Your Tax Dollar Go?????





Final Proposed 2024 City Budget & Levy

The City of Hibbing is proposing an increase to the levy of \$569,290 or 5.97% over last year & includes the following levies:

General Fund: \$6,552,322 (includes \$250K T/I to Library)

Library Fund: \$586,043

HEDA: \$105,177

Capital Fund: \$795,398

Permanent Improvement: \$1,112,236

Tax Abatement: \$75,000

Debt Service: \$596,000

OPEB (Other Post Employment Benefits): \$290,000



General Fund (Major operating fund)

62 cents of every dollar is spent on general operations

Most significant changes to revenues:

- LGA (Local Government Aid) is largest revenue outside of taxes. LGA is increasing by \$955K in 2024 or 11%
- Increase in interest income - \$200,000 (Treasury has increased rates)
- New lease agreement with St. Louis County for Assessor's office
- Rental licensing revenue estimated based off feasibility report as revenue offset to staff running the program

Most significant changes to expenditures:

- 2.5% pay increases per collective bargaining agreements + step increase in base pay structure
- 4 new budgeted positions (rental enforcement program (2), fleet manager (filled in 2023), and training officer for fire – previously cut and added back in.
- Medical insurance increased 12% for active employees
- (3) elections in 2024 as it's a presidential year
- Increased price of supplies & fuel



General Fund (Major operating fund)

8 cents of every dollar of your city tax is for General Government operations

- General Government Operating cost
 - Mayor & Council
 - City Clerk/Elections
 - Finance/Accounting/Auditing
 - City Administrator
 - Auditing
 - Human Resources
 - Building & Housing
 - Data Processing (IT)
 - City Hall





General Fund (Major operating fund)

Public Safety

16 cents of every dollar of your city tax is for Police Department operations



9 cents of every dollar of your city tax is for Fire/Ambulance Department operations





General Fund (Major operating fund)

Public Works

14 cents of every dollar of your city tax is for Public Works operations

- Public Works Operating cost

Engineering

City Garage

Streets & Alleys

Street Lighting





General Fund (Major operating fund)

City Services

8 cents of every dollar of your city tax is for City Services operations

- City Services Operating cost
 - Recreation Administration
 - Parks
 - Golf Course
 - Memorial Building
 - Mineview





General Fund (Major operating fund)

7 cents of every dollar of your city tax is for Other functions

- Other functions

- Cemetery

- Economic Development

- Insurance premiums and deductibles

- Bus Transit (funded with grant dollars and farebox revenue)





Library Fund

8 cents of every dollar of your city tax is for Library operations

- Library

Minimum maintenance levy set by state

Additional \$250K budgeted as transfer in to fund deficit





HEDA Fund

1 cent of every dollar of your city tax is for HEDA (Hibbing Economic Development Authority)

- HEDA

Levy has been consistently set at \$105,177, and is unchanged for 2024

Statutory maximum is 0.0185% of the City's taxable market value. This levy is under the statutory maximum



Capital Fund

8 cents of every dollar of your city tax is for capital outlay in 2024

- 2024 budgeted capital expenditures
 - Software (Asset Management & Budget)
 - Squad cars
 - Mowers
 - Irrigation controls
 - Memorial Building compressor
 - Tractor with ditch mower
 - Station 2 fire hall building improvements





Permanent Improvements Fund

11 cents of every dollar of your city tax is for permanent improvements in 2024

2024 budgeted permanent improvements expenditures:

Sidewalk improvements (shared with residents)

Alleys

City paving - segments not eligible for MSA (Minnesota State Aid)





Tax Abatement

1 cent of every dollar of your city tax is for tax abatement in 2024

2024 levy for economic development tax abatement agreements:

- To incentivize economic development, the City may enter into a development agreement that involves tax abatement incentives. The City of Hibbing currently has 4 active agreements.



Debt Service Levy

6 cents of every dollar of your city tax is for debt service in 2024

2024 levy for debt service – principal and interest payments:

- When the City of Hibbing issues debt, the principal and interest payments that are due are levied in a debt service levy to cover the debt service payments.
- City is issuing equipment certificates early 2024 to cover equipment purchases from the 2023 and 2024 capital budgets.



OPEB (Other Post Employment Benefits)

3 cents on the dollar of your city tax is for OPEB in 2024

2024 levy for OPEB:

-The City of Hibbing has an accrued liability of about \$30M for post employment benefits of employees. This amount will be paid over many years. The \$290K levied for these benefits goes into a fund to pay for benefits of retirees (similar to a pension fund).



Business-Type Activities

Sanitary/Storm Sewer – paid for with fees for services (not levy)

- Lining sanitary sewer to extend useful life and avoid infiltration of rainwater into the sanitary sewer system

- Existing sewer study calls for 1% increase per year. That increase was incorporated into the 2024 budget. The City plans on updating the rate study once the sewer lining CIP is completed.

Garbage/Recycling – paid for with fees for services (not levy)

- New equipment budgeted – garbage trucks are past their useful life

- Incorporating Sanitation into the rate study as well





Impacts of the Taxpayer

Homestead example with estimated Average Residential Market Value - \$125,200

- With our increase in Fiscal Disparities allocation and increase in NTC, City taxes would decrease by \$168 with proposed budget increase if the taxable value stayed the same as 2023.
- If City levy increased by 5.97% but total NTC stayed the same as last year, City taxes would increase by \$18.42.
- With decrease in proposed final levy, city taxes should decrease 3.37% or approximately \$30 from what was shown on proposed tax statement.
- The sales price of homes have been steadily rising leading to higher valuations on residential property tax statements.



Property Tax Relief

- Property Tax Refunds
<https://www.revenue.state.mn.us/property-tax-refund>
- Senior Citizens' Property Tax Deferral Program
<https://www.revenue.state.mn.us/property-tax-deferral-senior-citizens>
- Market Value Exclusion for Veterans with a Disability
<https://www.revenue.state.mn.us/market-value-exclusion-veterans-disability>
- Other Property Tax Programs
<https://www.revenue.state.mn.us/property-tax-programs>



Questions/Comments

Questions about the City's Budget:
Sheena Mulner – Finance Director/Treasurer
218-312-1602

Questions about your classification or assessed value:
Rodella LaFreniere – Principal Appraiser
218-262-6087

