



## Property Taxes 101:

*Many factors affect property taxes*

This past budget cycle, more than one puzzled homeowner called city offices wondering how a property owner could see an increase in property taxes when the City of Plymouth kept its budget flat in 2011 and 2010 and overall property values decreased. There is an explanation, but with anything related to property taxes, the answer isn't as simple as you would think.

To understand how this can happen, you must first understand that there is no direct correlation between the city tax levy and the value of your property. Several factors affect your property taxes:

- The city tax levy (the amount of dollars needed to pay for city services);
- How changes in your home's market value compares to changes in other residential properties;
- How the values of commercial properties fare in relation to residential properties; and
- How home values change in Plymouth as compared to those in other communities within the same taxing jurisdiction.

Overall, it's also important to recognize that your property tax bill is not only affected by the city budget, it is also affected by budgets of your school district, the county and several other smaller taxing jurisdictions, such as mosquito control. City taxes make up about 26 percent of your total property tax bill.

### City Tax Levy

Each year, the City of Plymouth determines what it will cost to provide and maintain the services, infrastructure and programs that residents expect from local government. City staff carefully develops a proposed budget within parameters set by the City Council.

This process also takes into consideration the money or revenue received in the form of permits, fees, licenses, grants and interagency transfers. This is subtracted from the amount needed to fund city services, such as street maintenance, police and fire service, trail and park upkeep, recreation programs, community planning, housing programs and other services.

The remaining amount is how much the city will need to levy as property taxes. The amount will be divided among all property owners in Plymouth based on state-mandated tax rate formulas.

### Relative Home Value

The value of your home plays an important role in how much you pay in property taxes. In effect, if the city's budget were a pie, your home's market value determines the size of your slice of the pie.

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## After 2010 decrease, council keeps levy flat for 2011

The adopted 2011 city budget kept the tax levy flat while largely protecting local services. Through careful planning and trimming, the City Council was able to adopt a hold-the-line budget on the heels of last year's levy decrease.

To get to a zero percent increase when it adopted the 2011 budget last year, the council made cuts in several areas and reduced the city's contingency fund.

"Protecting core services and stretching tax dollars further and further have been ongoing themes for the past several years," said City Manager Laurie Ahrens. "Back to back budgets – one that decreases the levy and one that keeps it flat – makes for a particularly challenging budget scenario, but the City Council was clear that it did not want to add to the economic burdens of already strapped taxpayers."

Ahrens added that the 2011 budget exceeded expectations because it maintained services in the face of increasing costs to do business, kept the levy flat and avoided one time fixes. The budget team also addressed the additional challenge of trimming the budget so that it could also absorb an expected one percent increase in the levy that was due to voter-authorized bond sales to buy open space.

Administrative Services Director Cal Portner agrees. "There are no gimmicks. It's a real budget. We're getting what we pay for, and paying for what we get. We found ways to responsibly maintain our facilities and infrastructure."

Portner added that after eliminating 23 positions between 2009 and 2010, maintaining service levels is becoming more and more difficult. "There is only so much we can cut and restructure before residents will feel the impact," he said. He expects that the city will continue to eliminate

positions, when feasible, through attrition in 2011.

To keep the levy flat, the City Council made the largest cut to the contingency fund – money set aside for unforeseen expenses. The \$500,000 fund was reduced by \$350,000, leaving \$150,000 in contingency for 2011. The council also trimmed the street seal coating program by \$200,000 and made several smaller cuts.

### Effect on Property Taxes

In 2011, the owner of a median value home of \$265,400 saw a slight decrease in city taxes of about \$1.50 per year. That owner will pay \$725 annually or about \$60 monthly for city services such as police and fire service, street maintenance, trail and park upkeep, recreation programs, community planning, housing programs, snowplowing and other local services.

Although the levy was flat, some residents may have seen a slight increase in property taxes due to changes in home values and other contributing factors (see adjacent article).

### Looking to the Future

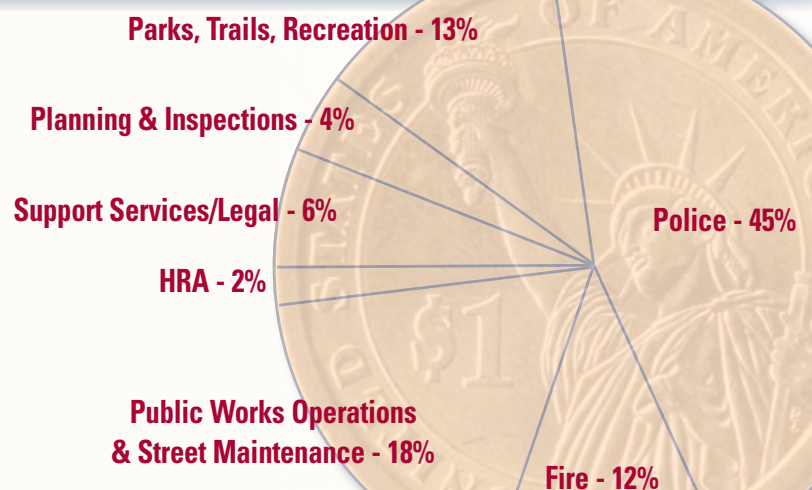
The city budget team is already gearing up to develop the 2012-13 budgets. Using a biennial budget affords the city the time to do more long-term budget planning while still offering the flexibility to amend the second year of the budget to account for changing circumstances. State law requires that cities adopt a budget annually so the second year of Plymouth's biennial budget is only adopted in concept.

### WHAT CITY TAX DOLLARS BUY

<b>Police</b>	<b>\$ 26.91</b>
<b>Fire</b>	<b>\$ 7.17</b>
<b>Parks/Trails/Recreation</b>	<b>\$ 7.77</b>
<b>Public Works Operations &amp; Street Maintenance</b>	<b>\$ 10.76</b>
<b>Inspections/Planning/Engineering</b>	<b>\$ 2.39</b>
<b>Support Services/Legal/Elections</b>	<b>\$ 3.59</b>
<b>Housing &amp; Redevelopment</b>	<b>\$ 1.20</b>
<b>Total</b>	<b>\$ 59.79</b>

Monthly Costs to Residents

*City tax dollars buy an array of services – police and fire service, parks, trails, street maintenance and more.*



# Property Taxes 101...from page 1

Historically, in Plymouth most property values have risen and fallen at a consistent rate. Because similar properties often increased by the same rate, tax increases and decreases often reflected the levy change. Over the past few years, the volatile real estate and financial markets have resulted in vast variations of value change.

With residential home values generally decreasing, your share of the property tax pie will depend on how the change in your value compared to similar properties. If your home value increased or if it did not decrease as much as comparable properties, your taxes increased. If your home's value decreased more than most, your taxes decreased.

## Effect of Commercial Values

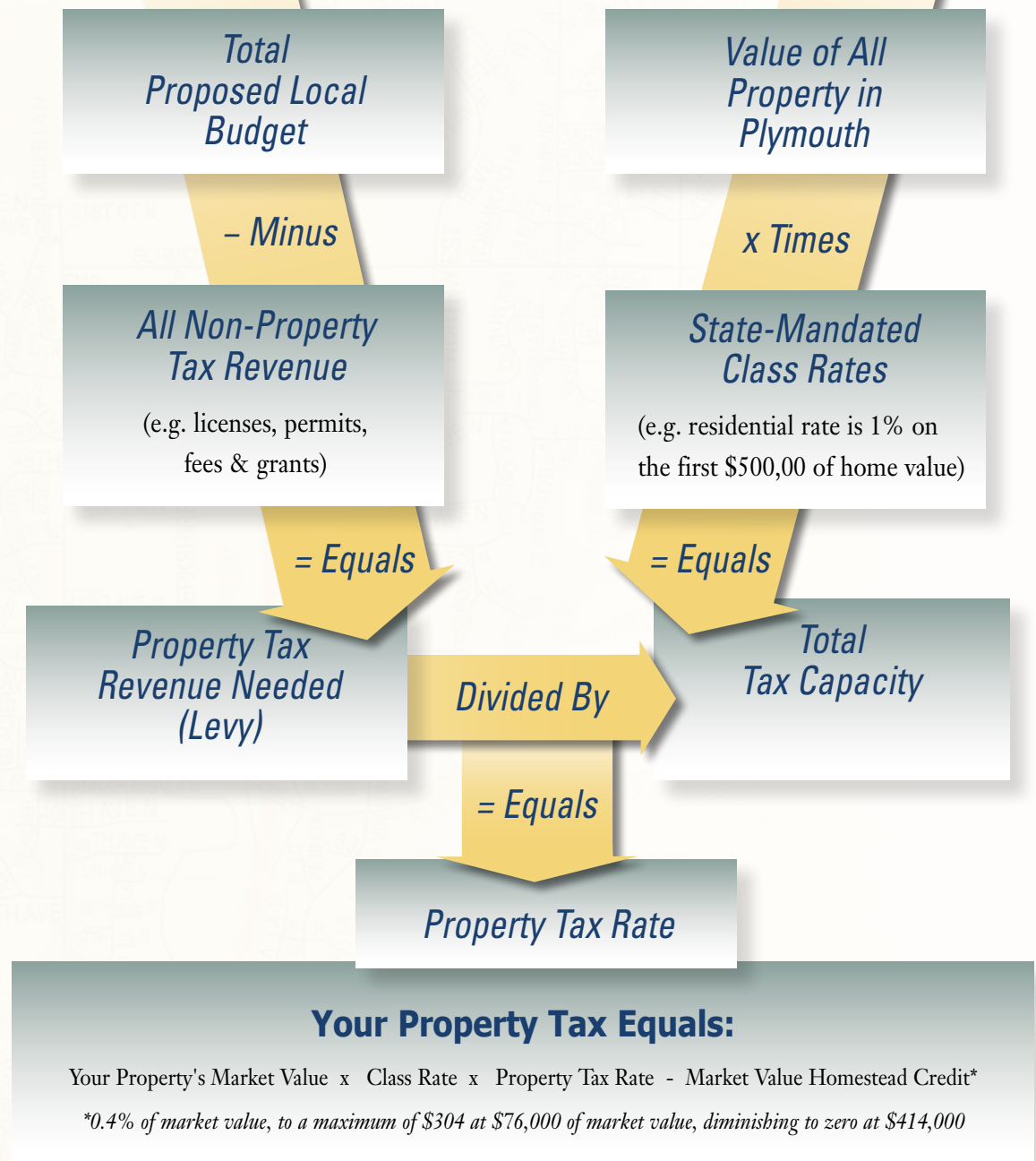
Both residential and commercial properties pay property taxes. Over the past two years, commercial-industrial properties in Plymouth saw a significant decrease in total property value. This decrease was greater than that seen in residential properties overall. The result was a shift in tax burden from commercial properties to residential properties.

A shift between residential and commercial occurs to some degree each year. Some years, commercial values hold better than residential. In those years, commercial property owners pick up some of the share from residential owners.

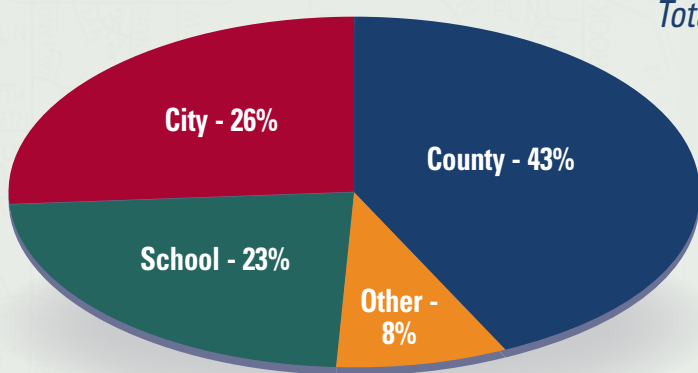
## Plymouth Relative to Other Communities

Yet another factor influencing property taxes is how Plymouth compares to other cities in Hennepin County. When compared to other Hennepin County cities, Plymouth property values did not decrease as much as most. Because Plymouth properties maintained their values better, Plymouth property owners picked up a greater share of the overall county taxes. This tax shift resulted in Plymouth property owners generally paying more in county taxes for county services despite the fact that the county, like the city of Plymouth, kept its tax levy flat.

## How City Property Taxes are Determined

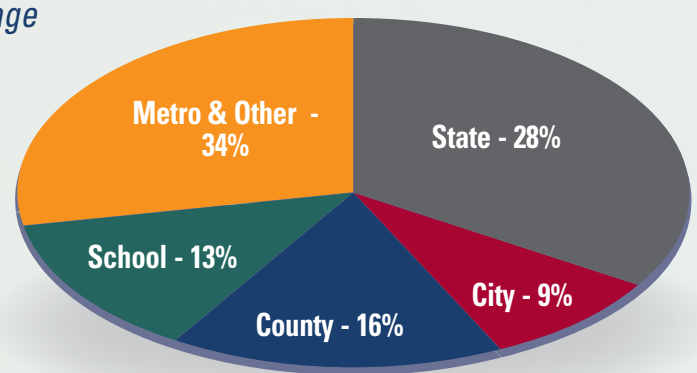


## Residential Property Tax Dollar

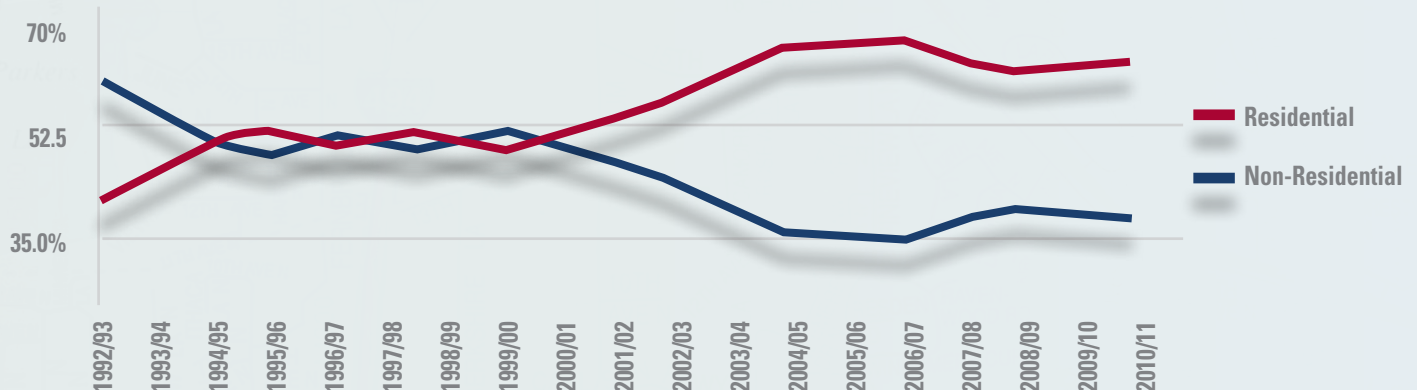


## Commercial Property Tax Dollar

Total Tax by Percentage



## Distribution of Tax Capacity



# City finds efficiencies via technology

Technology is helping Plymouth get work done safer, faster and more cost effectively.

**Automated Utility Bill System** – The city is implementing a new in-house utility bill payment system. Instead of paying a bank to record and post more than 23,000 utility account payments every other month, the technology will automate the process and save money.

**GPS Equipment** – New GPS equipment is making it easier to manage Plymouth’s inventory of trees, signs and other property spread throughout the city. It allows city staff to add details, and even photographs, to a database right from the field. What used to be handwritten field notes, transcribed into a spreadsheet back in the office, is now a one-step, on-the-spot detailed recording of city property.

City utility workers are using another GPS device to inventory, map and evaluate components of the water system from curb connections to hydrants to manholes.

**Police Officer Scheduling System** – New electronic scheduling and time card software has eliminated paper time cards and automated the Police Department’s payroll process. The scheduling component manages the complex rules and schedules of police officers, making it easier to monitor overtime and evaluate staff allocations.

**Volunteer Tracking Software** – Plymouth’s 1,428 volunteers now have a convenient way to apply for volunteer positions and track their hours online with the help of new volunteer tracking software. The new system replaces timesheets maintained by hand. Old squad car touch-screen terminals are getting a second life as part of the new tracking system, allowing volunteers to check in and record their hours on-site.

**MaxIce Scheduling Software** – Plymouth’s MaxIce scheduling software helps Ice Center staff manage the thousands of hours of ice time scheduled and sold each year. It allows them to share the data with other organizations in a format that allows them to manage their ice time as well.

**Automated Citations** – Three years ago, Plymouth’s squad cars were equipped with devices to issue and print citations electronically. The devices increase the efficiency and accuracy of writing traffic tickets and sending them to court, eliminating duplicative

hand entry. Even more important, the devices increase officer safety by shortening the time they have to stand outside next to traffic.



Firefighters and police have important pre-plans available on computers in vehicles.

**In-Vehicle Emergency Pre-Plans** – When Plymouth firefighters answer a call to an apartment, hotel, school or many businesses, critical information on the building is sent directly to the trucks’ computers from Hennepin County dispatch. A decade ago, firefighters had to remember to reach for the three-ring binder of hand-drawn building layouts before leaving the fire station in order to have the information at hand to fight a fire.

The Plymouth Police Department has also transferred its emergency operations and critical response plans from binders to electronic files. The information is accessible on computers in squad cars, enhancing the effectiveness, efficiency and safety of the officers.

**Water Leak Listening Device** – A new listening device helps utility workers find water leaks. It amplifies the sound of flowing water underground to help determine if there is a leak and where it is located. The device – used at least weekly this winter – paid for itself quickly by eliminating the need to pay a contractor to respond to potential leaks.

**Rec-Connect** – Plymouth’s Park and Recreation online registration program was launched in 2000. Since then, online registrations have grown from nine percent of all registrations to 65 percent today. Now Rec-Connect is getting a facelift. The new look will make it easier for users to find the programs they want through a revamped navigation system.

# Plymouth shares its tax base with other cities through law

Under a state law called fiscal disparities, cities in the seven county metro area must contribute 40 percent of their commercial and industrial property growth since 1971 to a pool. This pool of valuation is then redistributed to local governments according to a complex formula based primarily on population and the total market value of property within the city.

The end result is that some cities get back more valuation than they put into the pool and others receive less than they contribute.

Most recent figures show Plymouth contributes \$15 million to the pool and gets back \$7.8 million each year. Again, this is not dollars but tax capacity or the adjusted base valuation.

What this means is that for 2011 the City of Plymouth cannot use 7.2 percent of its total tax capacity. Theoretically, if Plymouth could tax all the property value without contributing to the disparities pool, taxes on both homes and businesses would be significantly lower.

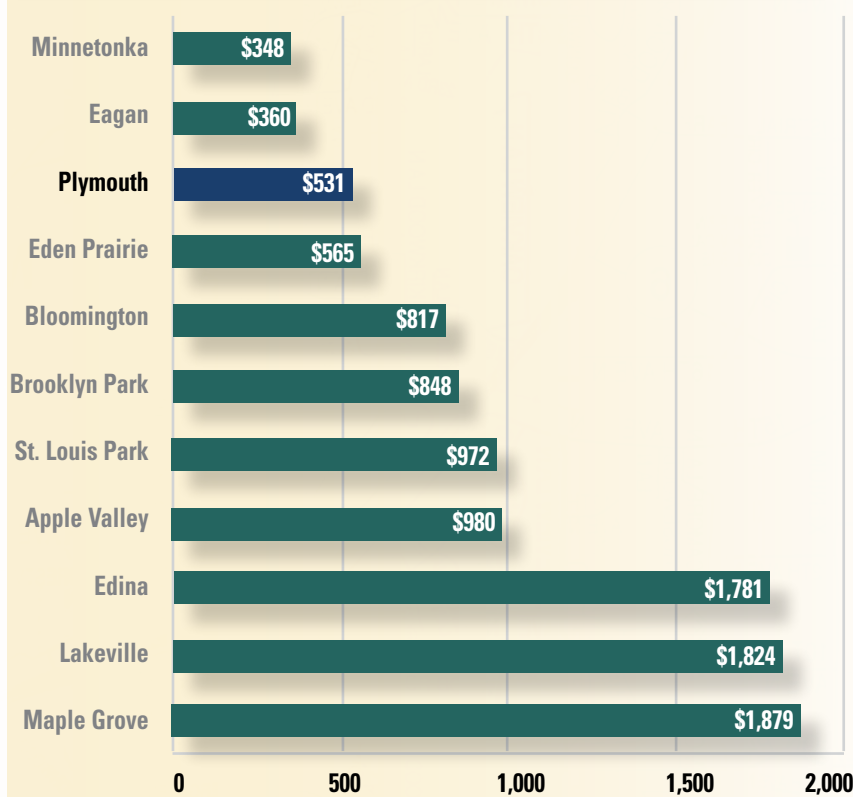
The theory behind the law is that all cities have basic needs for police and fire protection and other services paid for by property taxes. But they have an unequal ability to pay for those services – disparities. The Fiscal Disparities Law was meant to partially level the playing field.

Plymouth has enjoyed substantial growth and has always been a net contributor, meaning that it cannot tax its entire commercial and industrial tax base because of the law.

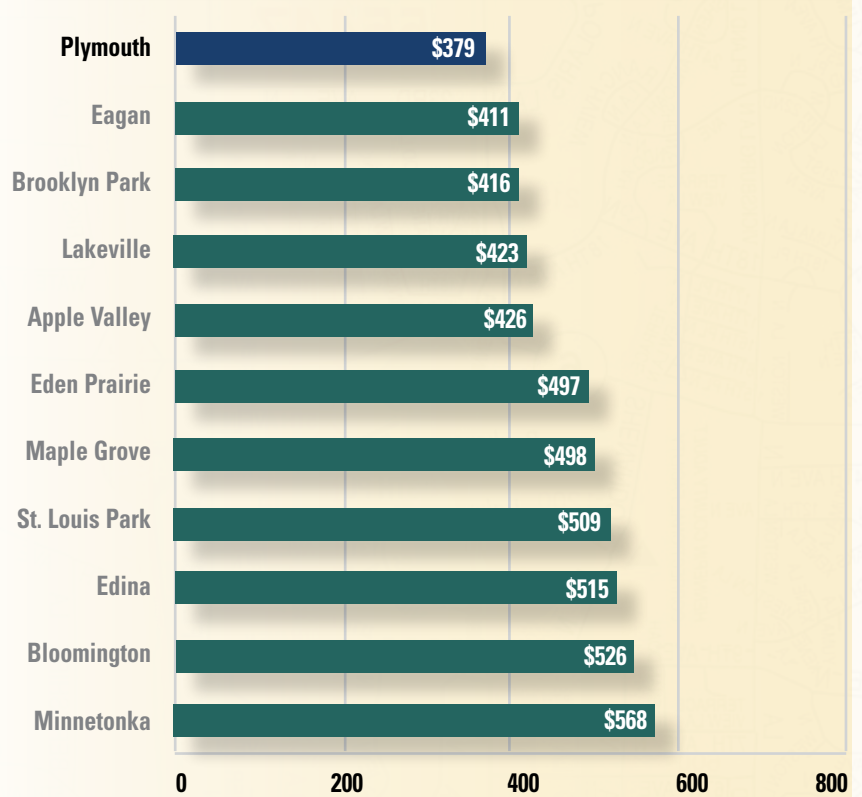


State law requires cities to share some of their commercial-industrial tax base.

## 2011 Debt Per Capita



## 2011 Levy Per Capita



# AAA Aaa

## City earns highest bond ratings from two agencies

The City of Plymouth has long garnered awards and ratings that attest to the city's sound and prudent financial management and reporting. This past year, Plymouth took it one step further when it sought a bond rating from not one rating agency, which is typical, but two.

Moody's Investors reaffirmed the City of Plymouth's Aaa bond rating. In addition, the city also sought a rating from Standard & Poor's for the first time. Standard & Poor's awarded Plymouth a rating of AAA. The Aaa/AAA ratings are the highest possible.

Plymouth is one of only eight Minnesota cities that have earned the top rating from both firms. The other cities are Bloomington, Edina, Maple Grove, Minneapolis, Rochester, St. Louis Park and Woodbury.

Because the rating agencies look at different aspects of a city's financial health, city officials wanted to go through the process to see how Plymouth would measure up, according to Administrative Services Director Cal Portner. "It helped us evaluate our financial management policies and practices. It also added dimension to our financial standing," he said.

Moody's generally looks at the overall strength of a community's economic health, including growth, tax base, commercial-industrial development, redevelopment and use of tax increment financing.

Standard & Poor's, on the other hand, examines the policies, processes and tools a city uses to manage its finances. It looks at items like fund balance policy, capital improvement plan, capital equipment replacement plan, park replacement plan, city council role in reviewing investments, and the public process for contracting with banks and financial advisors.

The Aaa/AAA distinction makes Plymouth an attractive investment for investors – and it saves tax dollars. For example, when the city sold voter-authorized bonds last year for open space, it received an interest rate that was nearly one percent lower than the already low rate the city's financial advisor had estimated. The lower interest rate will save taxpayers \$270,000 on the \$3 million bond issue over 15 years.



## Plymouth sees some glimmers through economic clouds

While the economy may still be a dark cloud for many, Plymouth is seeing some brightening skies.

While new home construction has fallen off sharply since the height of the housing boom, Plymouth began to see some signs of life last year. New single family home construction was up in 2010 as compared to 2009 – but still has not returned to 2008 levels.

While the 2010 construction levels may seem modest compared to past years, it puts Plymouth among only a handful of cities in the metro seeing any increase in new home construction. Another positive sign is that homes are not being built for speculation, but are custom built for people prior to occupancy, according to Community Development Director Steve Juetten.



*Plymouth is among a small number of communities seeing an increase in new home construction.*

Permits for remodeling projects have kept a stable pace. This is a sign that Plymouth residents are willing to reinvest in their homes, according to Juetten. Plymouth has a number of homes that are more than 25 years old. Many of the owners consider them prime candidates for basement, kitchen and other remodeling projects.

With undeveloped commercial/industrial land scarce, most business construction is in the form of redevelopment or renovation of existing buildings. Like Plymouth residents, businesses continue to reinvest in their buildings. Medtronic is returning to Plymouth and has plans to do a major remodel to a building it is occupying. Target has also taken out permits for a major interior remodeling project.

Plymouth has suffered fewer foreclosures than many other cities. Foreclosures made up less than one percent of the housing stock in Plymouth. Appraiser Supervisor Jan Olsson points out that foreclosures are not concentrated in any particular part of the city. Plymouth homes that go into foreclosure typically don't languish on the market. In 2009, 308 homes went into foreclosure, and by the end of 2010, 270 of them were resold.

Assessed values of single family homes in Plymouth were down by 5.6% in 2010 – comparable to other western suburbs. However, with the uptick in new home construction, Plymouth's assessors report only a 2.4% decrease in value this year, lower, on average than other cities in the western suburbs. "That's a good sign," said Olsson. "We're starting to see people moving up in size and value of their homes; something that hasn't been happening in the last few years," said Olsson.

Contrary to what many may assume, a struggling economy does not result in increased crime. Crime is actually trending downward in Plymouth, according to Police Chief Michael Goldstein. Since 2008, part one crimes (serious crimes against people) are down by nearly 24 percent and part two crimes (primarily property crimes) are down by more than five percent.

Plymouth's recreation programs draw enthusiastic participants, even as people carefully consider how they will spend their recreation dollars. "By offering valued leisure opportunities, we are able to bring in revenue that helps sustain our recreation programming," said Superintendent of Recreation Diane Evans. The city has been able to continue to offer free community events for everyone to enjoy. "For example, next summer we will offer free movies in the park," said Evans. "And when the dome goes up in the fall, the movies will move indoors."



*Plymouth has been able to offer free community events for all to enjoy thanks in part to revenue generated by other recreation programs.*

Prudent financial planning, wise investments in infrastructure and parks and stable property values have helped make it possible for Plymouth to continue to provide core services, along with amenities, even in a challenging economy, according to City Manager Laurie Ahrens. City decision-makers and citizens have worked to make Plymouth the kind of community people want to live, work and play in. That keeps the housing market relatively strong and is no small part in keeping Plymouth near the top of Money Magazine's Best Places to Live in America.

## How Plymouth Compares

### City Tax on \$265,400 Home

	Estimated 2011 Tax	More (Less) than Plymouth
Edina *	\$661	\$(65)
Plymouth	\$725	\$ -
Eden Prairie	\$847	\$121
Eagan *	\$894	\$168
Minnetonka *	\$897	\$171
Maple Grove	\$992	\$266
Lakeville *	\$1,016	\$290
Apple Valley *	\$1,125	\$399
Bloomington	\$1,136	\$411
St. Louis Park	\$1,168	\$443
Brooklyn Park	\$1353	\$628

\* Tax capacity rate does not include an HRA levy.