

PLYMOUTH FINANCIAL EXTRA

Welcome to the Financial Extra. As elected officials, the Plymouth City Council recognizes that the health of our community and quality of life is largely tied to a sound financial foundation. We initiated this publication several years ago to promote a better understanding of city finances and promote transparency in how we are handling your tax dollars.

If you have any questions, please contact us.

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City holds top bond ratings from two agencies

Plymouth holds the highest bond ratings possible from two rating agencies. Moody's Investors has reaffirmed the City of Plymouth's Aaa bond rating multiple times. In addition, last year Standard & Poor's awarded Plymouth a rating of AAA.

The Aaa/AAA distinction makes Plymouth an attractive investment for investors – and it saves tax dollars. When the city needs to issue bonds, it can do so at the lowest interest rates.



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 financial health, city officials opted to be rated by both agencies. Earning the highest ratings possible from both firms also added dimension to Plymouth's financial standing.

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 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.

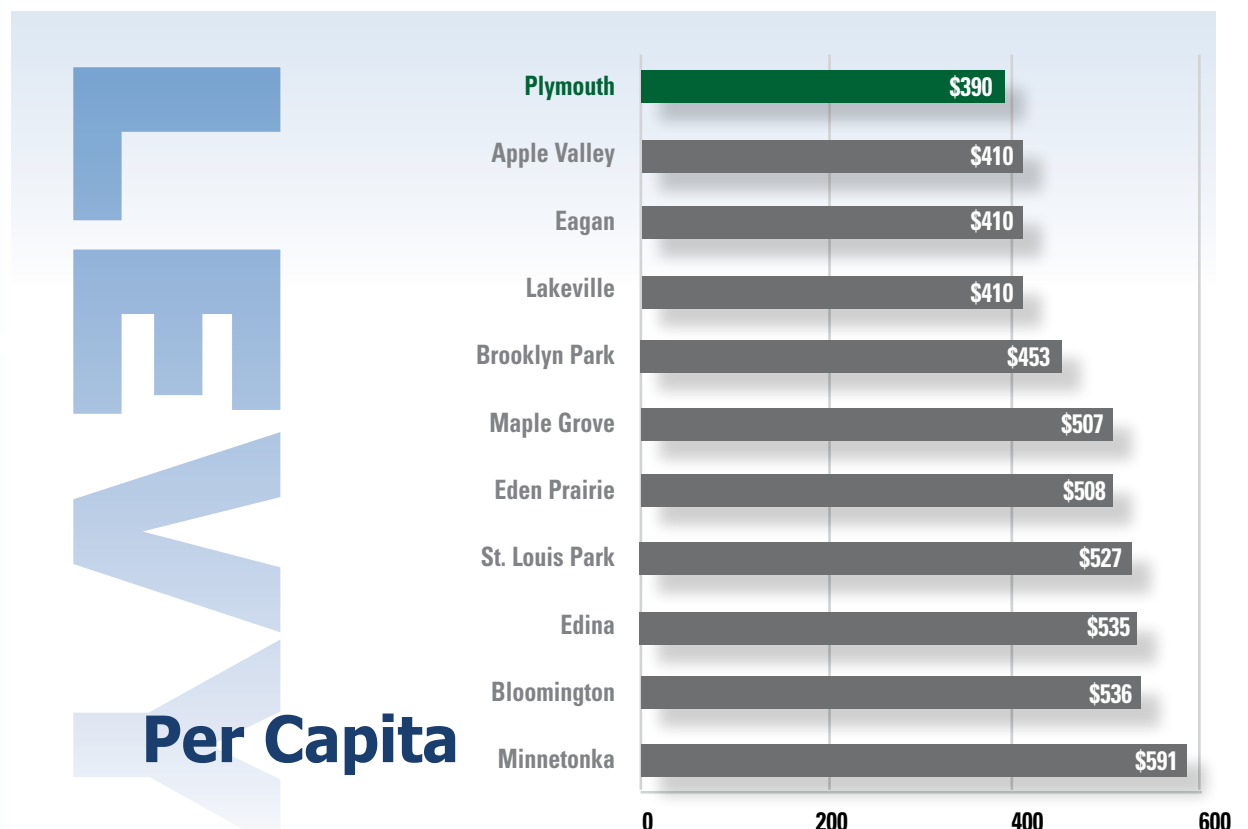
City levy stays flat third year in a row



The final city tax levy for 2012 stayed flat – a zero percent increase. This is the third year in a row that the Plymouth City Council has either decreased or kept the levy flat.

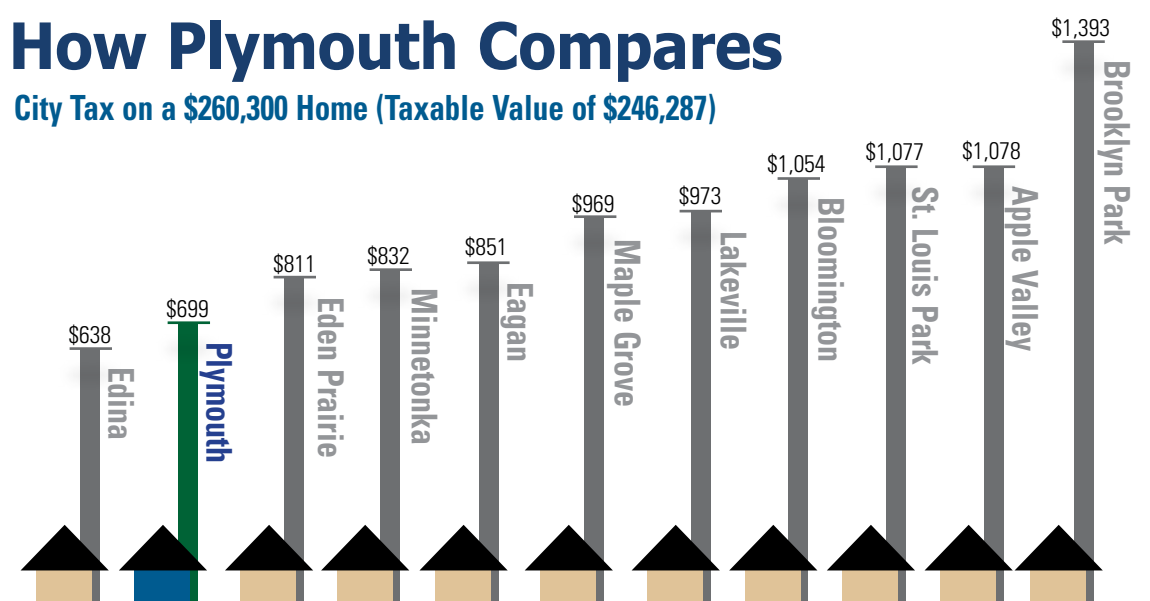
In 2011, the City Council held the levy increase to zero percent. That came on the heels of a .06 percent decrease in 2010.

To keep the levy flat in the face of increasing costs, the city has streamlined operations, trimmed some services and implemented new technology to find efficiencies. More than 28 full-time equivalent positions have been eliminated since 2009. The city currently has 248 employees – the same number as 11 years ago in 2001.



How Plymouth Compares

City Tax on a \$260,300 Home (Taxable Value of \$246,287)



2012 Budget Information on Page 2.

City further tightens budget belt

When the City Council adopted the 2012 budget it did the same thing that it has with other Plymouth city budgets in recent memory – it further tightened the municipal budget belt and emphasized core services.

Bringing the 2012 budget in at a zero percent levy increase was a challenge because the city faces inflationary increases as it provides services that are as diverse as police and fire service and road paving, according to City Manager Laurie Ahrens.

While some services were trimmed to make up for inflation, city officials have sought to maintain many service levels by restructuring

job responsibilities and adding new technology to increase efficiency.

This year's budget eliminated five positions. With the 2012 cuts, the city will have eliminated more than 30 positions or 28.7 full time equivalent (FTE) positions since 2009. This translates into a decrease in the city's FTE workforce of more than 10 percent.

The city portion of property taxes covers the cost of police and fire service, street maintenance, trail and park upkeep, recreation programs, community planning, housing programs, snowplowing and other local services.

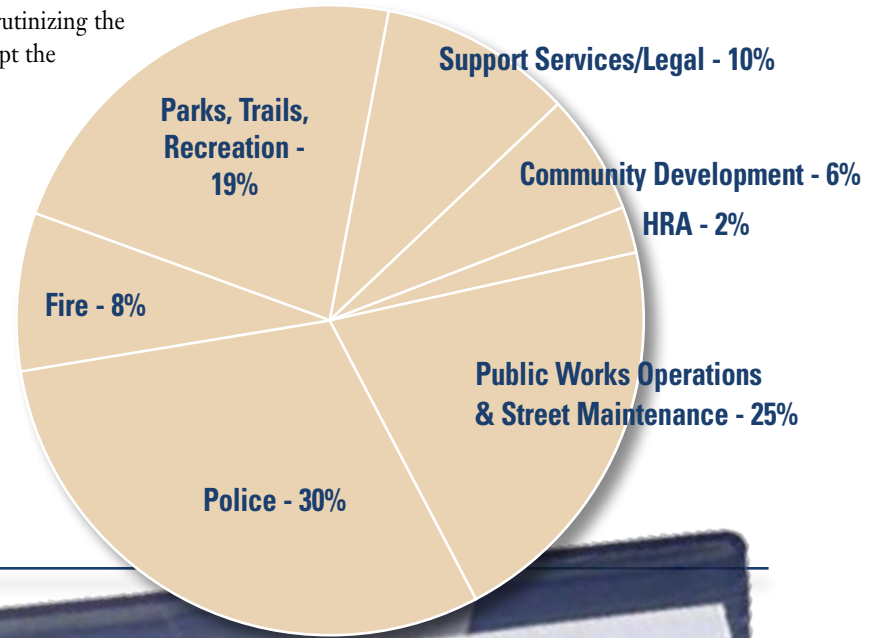
When you pay your property tax bill, about 23 cents of each dollar goes to the City of Plymouth. The remainder goes to your school district, Hennepin County and other jurisdictions (see graph on page 4).

The City of Plymouth operates on a biennial budget. When the council adopts a biennial budget, it only adopts the first year of the budget. The second year is adopted in concept only because state law mandates that cities adopt a

budget annually. The council will begin scrutinizing the 2013 concept budget this summer, and adopt the actual budget for next year in December.

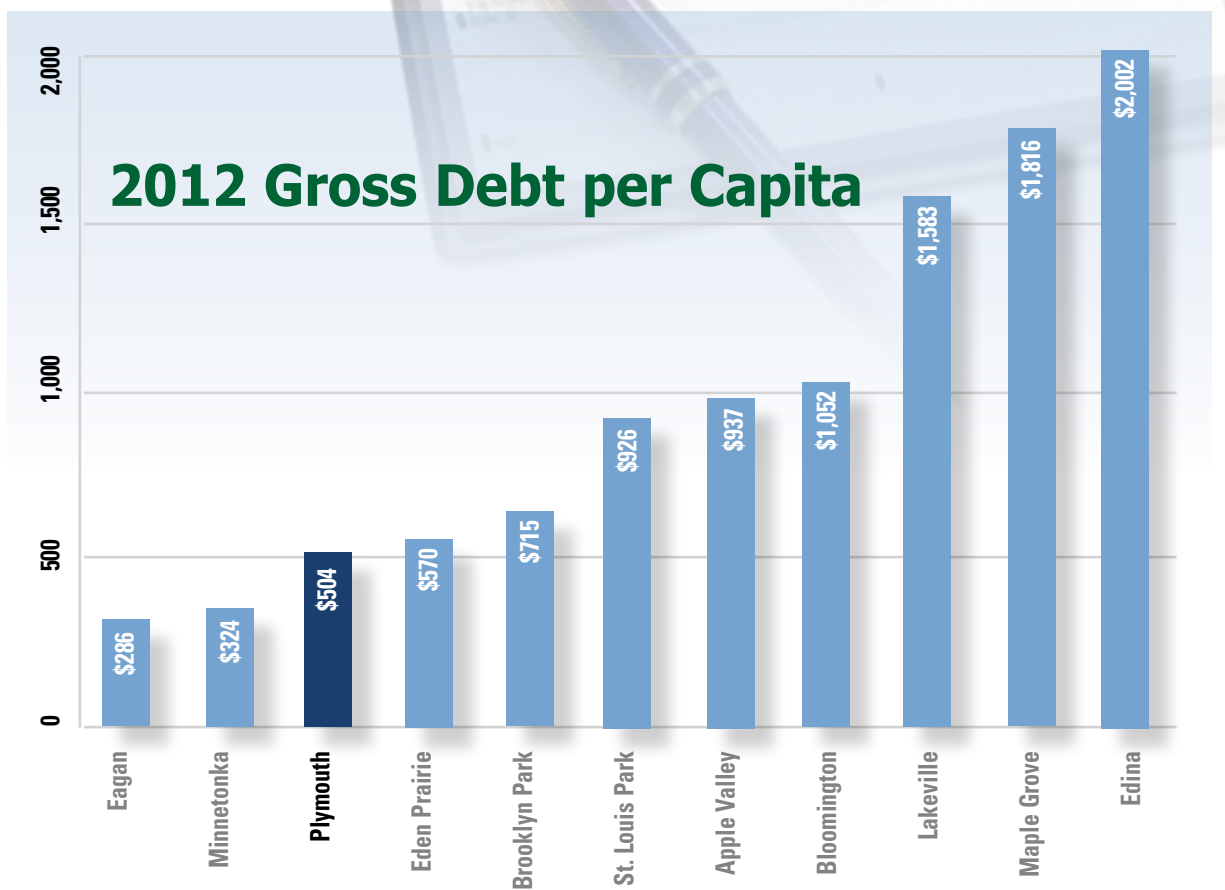
The city held nine budget meetings to publicly review the 2012 budget. If you're interested in knowing when the council will discuss the 2013 budget, sign up to receive e-notifications of City Council meetings on the city website, plymouthmn.gov. Select the categories for both special and regular City Council agendas. You will receive a link to each agenda via email. Simply scan the agendas for budget sessions to determine which meetings will focus on the budget.

Services Supported by Tax Levy



What City Tax Dollars Buy

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



Calculating the cost

\$50,000 in equipment, wages, materials (e.g. salt) and contractors to clear city streets after a 2 ½ inch snow event

\$2,500 is the average cost to repair a water main break

\$35,050 to sweep all city streets one time

\$7,800 to treat 14 acres of curlyleaf pondweed in city lakes last year

\$6,000 to recruit, train and equip a paid-on-call firefighter



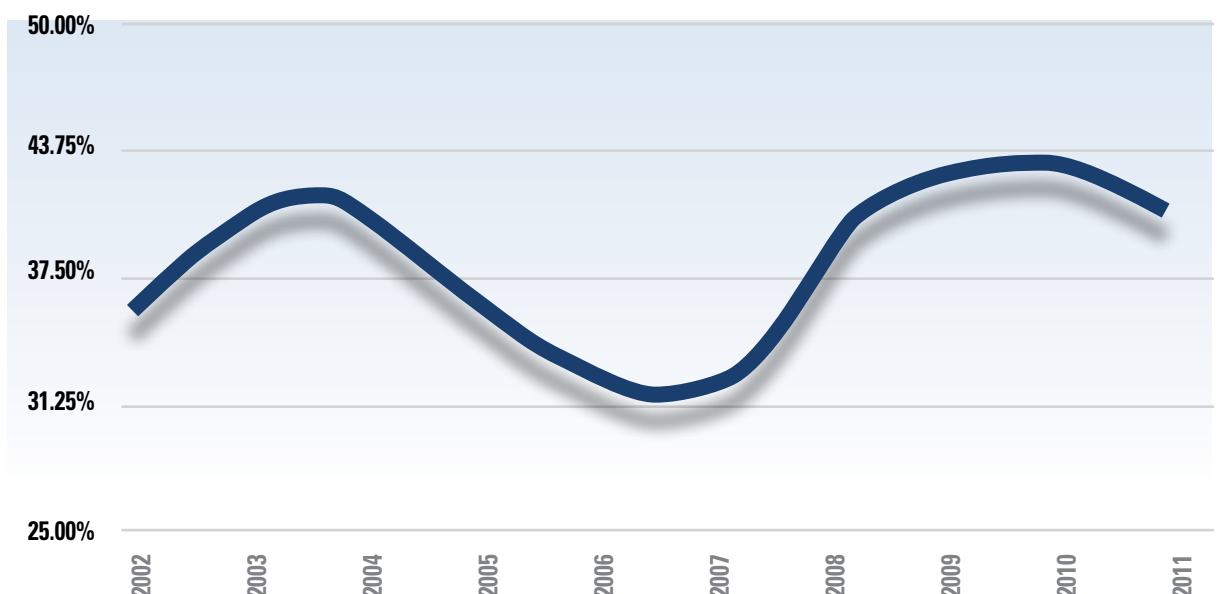
Plymouth shares its tax base through fiscal disparities law

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 \$14 million in tax capacity to the pool annually and gets back \$7 million in tax capacity.

Percent of commercial-industrial tax base

Plymouth has contributed to fiscal disparities over the past decade.



State changes property tax relief program

Last year the Minnesota Legislature changed how it delivers property tax relief to homeowners. The state switched from giving some homeowners a credit on their property taxes to not taxing the full value of some homes. While the change may sound like a simple bookkeeping change, it had an impact on the tax base of the City of Plymouth and all cities.

Here's an overview of how the new program works compared to the old – and how it affects the city tax base, tax rates and revenue stream.

Old Law: When state lawmakers repealed the old Market Value Homestead Credit (MVHC), it replaced it with the Homestead Market Value Exclusion (HMVE). Under the old MVHC, qualifying homeowners received a tax credit on their property tax bill. This reduced the amount of taxes due. The full credit of \$304 was given to homes valued at \$76,000 or less. As home values approached \$413,800, the homestead credit decreased to zero.

Unfortunately, the MVHC resulted in an unpredictable revenue stream for the city. Each year the state was supposed to reimburse the city for the amount of the MVHC credit that the city provided. However, in practice, the state often did not. The state failed to reimburse Plymouth seven out of the last eight years. Plymouth lost more than \$500,000 annually in 2009, 2010 and 2011.

New Law: Under the new HMVE, a qualifying homeowner receives an exclusion that reduces the amount of his/her home's value subject to tax. (The table above

Market Value	Homestead Market Value Exclusion	Taxable Market Value (After Homestead Exclusion)
\$76,000	\$30,400	\$45,600
\$100,000	\$28,240	\$71,760
\$150,000	\$23,740	\$126,260
\$250,000	\$14,740	\$235,260
\$300,000	\$10,240	\$289,760
\$350,000	\$5,740	\$344,260
\$400,000	\$1,240	\$398,760
\$450,000	\$0	\$450,000

shows how the HMVE affects homes of different values.) Because part of the market value is excluded from the tax base, this forces higher tax rates – even when the city collects the same amount of money.

From a city budget perspective, the new program results in predictable revenue forecasting and a more stable budget process.



Market Value Exclusion

Part of the value of some homes is excluded before calculating property taxes.

Property Taxes 101: Many factors affect property taxes

You're not alone if you've been perplexed looking at your property tax bill – wondering how you could see an increase in property taxes when the City of Plymouth kept its levy flat in 2012 and 2011 and overall property values decreased.

To understand how this can happen, you must first know 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.

Keep in mind 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. City taxes make up only 22 percent of your total residential property tax bill.

City Tax Levy

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

This process also takes into account the 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, community planning, and trail and park upkeep.

The remaining amount is how much the city will need to levy as property taxes. The amount is 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. If the city's budget were a

pie, your home's market value determines the size of your slice of the pie.

Historically, in Plymouth most property values have risen and fallen at a consistent rate, which meant that 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 for different property types.

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. Plymouth property values have not decreased as much as most. Because Plymouth properties maintained their values better, Plymouth property owners picked up a larger share of the overall county and school district taxes.



FYI Many of the city's park and recreation facilities and programs rely on income from fees and rentals to operate.

The Ice Center brings in an average of \$18,000 a year from advertising. Ads are placed on dasher boards, in restrooms and on the Zamboni. Some of that revenue also comes from in-ice logos.

Concession sales at the Ice Center reached almost \$156,000 in 2011.

The more than \$1 million brought in from renting ice time for practices, games and tournaments helps pay for a majority of Ice Center costs.

Public and private organizations pay to use the fieldhouse for soccer, rugby, lacrosse and other recreational activities.



Sometimes contracting for service is the most cost effective way to accomplish a job.

Curbside and drop-off recycling collection and processing are performed by a single contractor.

One third of city streets and all cul-de-sacs are plowed by contractors on a "full call-out" snow event (2 1/2 inches). This prevents the city from having to purchase, maintain and staff equipment that is used an average of 12 times a year.

Contractors are called in when a water main break requires special equipment or expertise due to the location or complexity of the situation.

The work on street construction and reconstruction projects is performed by contractors.

Street sweeping is done by contractors with specialized equipment to both vacuum and sweep the streets.



Collaborations keep services affordable

The City of Plymouth provides services that range from fighting fires and recycling to trips for seniors and enforcing traffic laws. To save money, the city often collaborates with other organizations and local governments. Here are some ways cooperative efforts save tax dollars while delivering valuable services.

- Plymouth, Golden Valley and Minnetonka jointly negotiate recycling service for the three cities. This has helped lower the cost of Plymouth's recycling for more than two decades.



Through mutual aid agreements, Plymouth and its neighboring communities stand ready to assist each other when fires and other emergencies tax the capabilities of a single fire department.

- The Plymouth Fire Department shares the cost of owning and operating the testing equipment for self contained breathing apparatus with other departments. Plymouth purchased the equipment while its partners pay for its costly annual maintenance.



Three high schools – Wayzata, Armstrong and Providence Academy – and the Wayzata Youth Hockey Association have been key collaborators in funding and improving the Plymouth Ice Center.

- The City of Plymouth and the Plymouth Civic League co-present Music in

Plymouth, the annual outdoor concert featuring the Minnesota Orchestra.

- A partnership among Maple Grove, Minnetonka and Plymouth police provides focused traffic enforcement in problem areas in each city. The partnership beefs up enforcement without increasing overtime costs.



- The Crime Free Multi-Housing Program brings together police and property managers to protect and improve the quality of life in Plymouth's multi-housing units. Plymouth police also go further and coordinate their work in this area with their New Hope and Maple Grove counterparts.



teach kids and adults about environmental issues.

- Plymouth has partnered with elementary schools for 16 years to host the Environmental Quality Fair as a fun, low-cost community event to

- Volunteer police reserve officers stretch the capacity of Plymouth's Police Department. They direct traffic, transfer prisoners, book suspects, help at crash scenes, handle public nuisance and other minor police calls, assist at special events, and provide extra eyes and ears in the community for the police.

- Kayaking, geocaching, rock climbing and the summer naturalist program are offered in Plymouth through collaboration with Three Rivers Park District.



The Plymouth Parks and Recreation Department works with more than two dozen organizations, schools, cities and agencies to offer recreation options that range from the arts to hockey and water safety.

- The Plymouth Historical Society hosts Old Fashioned Christmas in partnership with the city.

- The Recreation Division partners with the Plymouth Arts Council to

host Primavera and the Citywide Read.



By the numbers

\$0 Plymouth receives no local government aid (LGA) from the state of Minnesota.

820 miles of pipe are maintained by the City of Plymouth – 361 miles of water main, 319 miles of sanitary sewer pipe and 140 miles of storm sewer pipe

125 miles of city trails and sidewalks are maintained by Plymouth

1,800 tons of sediment and debris were picked up from streets in the 2011 street sweeping program

1,200 pounds of phosphorus was kept out of local lakes by the street sweeping program, preventing the growth of 6,000 pounds of algae

21,442 inspections were performed by Plymouth building inspectors

70,000 responses to events by Plymouth police in 2011

900 fifth graders learned about being safe and saying "no to drugs" through the ten-week DARE program presented by Plymouth police officers

88,348 people participated in Plymouth's recreation programs last year

201,492 people used the fieldhouse dome for walking, sports or other recreation in 2011

1,536 fire calls came in last year



Nearly 1,900 people volunteered in 2011 through the city's volunteer program. They helped the city with events, special projects and ongoing tasks.

Volunteers contributed more than 27,000 hours last year.

The work of volunteers resulted in \$578,000 in estimated savings to the city.

Sponsors contributed \$24,000 in 2011 to support free community events, including Movies in the Park, an expanded concert series, a naturalist program and an extended run of the Farmers Market.

Calculating the cost

\$620 for police officer, court and attorney costs for a simple, uncontested DWI

\$14,000 to fuel police squad cars in 2011

\$5.50 to fix an average pothole

\$9,000 each to host the Plymouth on Parade and Fire & Ice community events (sponsorships bring these costs down significantly)

\$85,500 was the total cost to the city for the 2008 election



The city gets about 22 cents of each residential property tax dollar.



The city gets about 10 cents of each commercial property tax dollar.



Get More Information

If you want more information on city finances, visit the city website, plymouthmn.gov. There you will find plenty of detail, including the complete 2012-2013 budget, the Capital Improvement Program and the latest Comprehensive Annual Financial Report. Just click on the shortcut in the upper right corner of the home page for Codes & Documents.