

**2020 PROPERTY TAX INCREASE: IN-DEPTH REVIEW
ON THE CITY PORTION OF YOUR TOTAL PROPERTY TAX BILL**

- **The City of Deephaven is proposing a \$389,395 increase in the property tax levy in 2020. This equates to a 17.5% increase in the 2020 property tax levy over the 2019 property tax levy. The General Fund is contributing \$170,000 towards the \$389,395 increase and the new Street Improvement Bonded Debt Fund is contributing \$219,395.**
- **Historically, the City of Deephaven has generally provided relatively low property tax levy increases. Over the 15 year period from 2006 – 2020, the City of Deephaven averaged a 3.3% property tax levy increase each year. In the 15 year period prior to the significant property tax increase in 2020, Deephaven averaged a 2.5% property tax increase per year.**

**PROPERTY TAX LEVY HISTORY
2006 – 2020**

YEAR	PROPERTY TAX LEVY	PERCENT INCREASE
2006	1,671,165	5.51%
2007	1,759,617	7.00%
2008	1,759,159	(0.02%)
2009	1,860,000	5.73%
2010	1,856,151	(0.21%)
2011	1,893,000	1.99%
2012	1,896,232	0.17%
2013	1,898,744	0.13%
2014	1,952,701	2.84%
2015	2,000,000	2.42%
2016	2,089,000	4.45%
2017	2,100,000	0.53%
2018	2,157,000	2.71%
2019	2,230,000	3.38%
2020	2,619,395	17.46%

**WHAT IS DRIVING THIS SIGNIFICANT INCREASE IN THE PROPERTY
TAX LEVY?**

1. **General Fund.** Cost increases in the 2020 General Fund have resulted in a \$170,000 increase in the General Fund property tax levy. The following is a brief overview of the increases in each General Fund Department:

Department	\$ Increase	Reason for Cost Increases
General Gov't	14,800	Legal, property & liability insurance
Elections	12,665	Municipal election is scheduled in 2020
Administration	11,181	Salary (3%) & benefit cost increases
City Hall	3,240	Supply / repair costs on older building
Police	27,875	Salary, benefits, PERA rate increases
Fire Services	30,834	Operational & Fire Aid reimbursement
Zoning & Building	11,299	Salary, benefits, legal & building code
Streets & Roads	27,700	Sand, salt, sweeping & crack sealing
Public Works	24,653	Salary, benefit, gasoline cost increases
Parks & Recreation	15,200	Supplies, beach testing, EAB treatments
Wildlife Control	0	No change in 2020
Total Increase	179,447	

2. **New Bonded Debt Fund.** A new ten-year \$1,500,000 Street Improvement Bond was issued to fund the reconstruction of Minnetonka Blvd (\$1,300,000) and other city streets (\$200,000) this past year. This will add \$219,395 to the 2020 Property Tax Levy as the first year's bonded debt payment.
3. **Property Tax Impact.** The combination of the \$170,000 increase in the General Fund Levy plus the \$219,395 new Bonded Debt Levy equals the proposed 2020 Property Tax Increase of \$395,395.
- General Fund Levy of \$170,000 equates to a 7.6% levy increase
 - Bonded Debt Levy of \$219,395 equates to a 9.8% levy increase

HOW WILL THIS INCREASE IMPACT THE TAXES YOU PAY IN 2020?

There is a four step process to determining your property tax increase.

Step One: Convert the market value of your property into tax capacity by using the following formula:

- a) 1st \$500,000 of market value x 1.0%**
- b) Remaining market value over \$500,000 x 1.25%**
- c) Add the results of a & b together to get the tax capacity of your property**

Step Two: Multiply the tax capacity of your property by the City's 2019 tax capacity rate of 14.838%. This is the amount paid in property taxes to the City of Deephaven in 2019.

Step Three: Multiply the tax capacity of your property by the City's proposed 2020 tax capacity rate of 16.815%. This is the amount that will be paid in property taxes to the City of Deephaven in 2020.

Step Four: Subtract your 2019 City property tax in Step Two from your 2020 City property tax in Step Three to find your proposed City property tax increase for next year.

The following table shows you the impact of the 2019 vs. 2020 taxes paid to the City of Deephaven. The column on the far right shows you the increase in the total tax you will pay next year. The good news is that the increase in the total tax you will pay next year will be less than the increase in the City tax. This is due to the fact that the total tax rate that includes all the other taxing jurisdictions (School District, Hennepin County, Met Council, etc) will somewhat offset the increase in the City's tax capacity rate so that the overall tax increase in 2020 will have less of an impact on all valued homes.

CITY & TOTAL TAX COMPARISON FROM 2019 TO 2020

Market Value	Tax Capacity	2019 (14.838%)	2020 (16.814%)	2020 City Tax Increase	2020 Total Tax Increase
300,000	3,000	\$445	\$504	\$59	\$24
625,000	6,563	\$974	\$1,104	\$130	\$54
1,000,000	11,250	\$1,669	\$1,892	\$223	\$94
1,300,000	15,000	\$2,226	\$2,522	\$296	\$125
1,700,000	20,000	\$2,968	\$3,363	\$395	\$167
2,000,000	23,750	\$3,524	\$3,993	\$469	\$200
2,300,000	27,500	\$4,080	\$4,624	\$544	\$231
2,700,000	32,500	\$4,822	\$5,465	\$643	\$252
3,000,000	36,250	\$5,379	\$6,095	\$716	\$304
4,000,000	48,750	\$7,234	\$8,197	\$963	\$410
5,000,000	61,250	\$9,088	\$10,299	\$1,211	\$515
6,000,000	73,750	\$10,943	\$12,400	\$1,457	\$621
7,000,000	86,250	\$12,798	\$14,502	\$1,704	\$726
8,000,000	98,750	\$14,653	\$16,604	\$1,951	\$831
9,000,000	111,250	\$16,507	\$18,706	\$2,199	\$937
10,000,000	123,750	\$18,362	\$20,807	\$2,445	\$1,042
11,000,000	136,250	\$20,217	\$22,909	\$2,692	\$1,147
12,000,000	148,750	\$22,072	\$25,011	\$2,939	\$1,253
13,000,000	161,250	\$23,926	\$27,113	\$3,187	\$1,358
14,000,000	173,750	\$25,781	\$29,214	\$3,433	\$1,464

(1) Median valued home in Deephaven in 2019 is \$625,000

(2) Largest taxpayer is Deephaven Woods Senior Living with a 2019 tax capacity of \$150,938

**HOW DOES DEEPHAVEN'S 2020 PROPOSED TAX CAPACITY RATE
COMPARE WITH OTHER CITIES IN HENNEPIN COUNTY?**

Generally, Deephaven's 2020 proposed tax capacity rate of 16.815% compares very favorably with the other cities in Hennepin County.

- The average proposed 2020 tax capacity rate in the other 44 cities in Hennepin County is 39.844% vs. 16.815% in Deephaven
- Deephaven would have the fourth lowest 2020 tax capacity rate in Hennepin County behind only Woodland (10.533%), Greenwood (14.314%) and Orono (16.498%)
- In 2019, Deephaven had the 2nd lowest tax capacity rate in Hennepin County behind only Woodland (14.838% vs. 10.127%)

**2020 PROPOSED TAX CAPACITY RATES
OF CITIES IN HENNEPIN COUNTY**

CITY	TAX RATE		CITY	TAX RATE
Bloomington	41.534		Medina	22.480
Brooklyn Center	66.476		Minneapolis	57.820
Brooklyn Park	50.118		Minnetonka	37.041
Champlin	40.601		Minnetonka Beach	26.132
Chanhassen	21.132		Minnetrista	24.749
Corcoran	44.922		Mound	42.172
Crystal	52.461		New Hope	65.918
Dayton	55.629		Orono	16.498
Deephaven	16.815		Osseo	67.768
Eden Prairie	31.642		Plymouth	26.213
Edina	27.983		Richfield	55.089
Excelsior	29.719		Robinsdale	47.423
Golden Valley	53.012		Rockford	48.345
Greenfield	37.296		Rogers	36.248
Greenwood	14.314		Shorewood	28.974
Hanover	46.333		Spring Park	32.297
Hopkins	72.882		St. Anthony	67.456
Independence	41.016		St. Bonifacius	24.965
Long Lake	36.424		St. Louis Park	45.065
Loretto	51.171		Tonka Bay	17.211
Maple Grove	32.842		Wayzata	21.031
Maple Plain	58.525		Woodland	10.533
Medicine Lake	48.682		Average Tax Rate	39.844

SUMMARY OF PROPERTY TAX IMPACT

- **THE TOTAL PROPERTY TAXES PAID BY DEEPHAVEN RESIDENTS WILL ONLY INCREASE MARGINALLY IN 2020 - ASSUMING THE MARKET VALUE OF YOUR PROPERTY STAYS APPROXIMATELY THE SAME - AS DEEPHAVEN'S 2020 TAX INCREASE WILL BE GENERALLY OFFSET BY A 2020 TAX DECREASE BY ALL OTHER TAXING JURISDICTIONS.**

Tax Jurisdiction	2018	2019	2020
City of Deephaven	15.430%	14.838%	16.815%
Minnetonka School District	23.124%	21.203%	21.150%
Hennepin County	43.177%	41.661%	41.016%
Riley Purgatory Watershed District	2.288%	2.199%	2.158%
All Other Taxing Jurisdictions	8.952%	8.510%	8.211%
Total NTC Based Rate	92.971%	88.411%	89.350%
Minnetonka School MV Levy	0.30352%	0.34028%	0.33908%

- **2020 GENERAL FUND EXPENDITURES WILL INCREASE \$179,447 OR 5.9% OVER 2019 GENERAL FUND EXPENDITURES DUE TO:**
 - **Salary & benefit increases across all departments, but particularly in our Police Department, which employees 8 of our 18 full-time employees. Wages are projected to increase 3.0% in 2020, which follows a 2.5% increase in 2019, a 2.5% salary increase in 2018, a 2.0% salary increase in 2017, a 2.0% salary increase in 2016, a 2.5% salary increase in 2015, a 2% increase in 2013-2014, a 1% increase in 2012, a 2% increase in 2011, and a 0% increase in 2010.**
 - **Salaries in the General Fund total \$1,239,285 or 38.5% of the total 2020 General Fund Budget.**
 - **Public Safety Departments account for 53.1% of all expenditures in the 2020 General Fund.**

- **2020 GENERAL FUND REVENUES INCREASED \$170,634 OR 5.6% OVER 2019 GENERAL FUND REVENUES DUE TO:**
 - **\$170,000 increase in the 2020 property tax levy.**
 - **All other General Fund revenues will remain relatively flat.**

- **THE \$1,500,000 STREET IMPROVEMENT BOND THAT WAS ISSUED TO FUND THE RECONSTRUCTION OF MINNETONKA BLVD AND OTHER CITY STREETS WILL ADD \$219,395 TO THE 2020 PROPERTY TAX LEVY AS THE FIRST YEAR'S BONDED DEBT PAYMENT.**

- **2020 CAPITAL IMPROVEMENT FUND PROPERTY TAX LEVY WILL REMAIN AT \$400,000 – WHICH WILL PROVIDE FUNDING FOR:**
 - **Administrative equipment (copiers, computers)**
 - **City Hall improvements (generator, building & HVAC repairs)**
 - **Street Improvement Projects**
 - **Police vehicles & equipment**
 - **Park equipment & improvements**

- **WITH A 17.5% PROPERTY TAX LEVY INCREASE, THE CITY'S TAX CAPACITY RATE WILL INCREASE FROM 14.838% IN 2019 TO 16.815% IN 2020. HOWEVER, THE INCREASE IN PROPERTY TAXES PAID TO THE CITY IN 2020 WILL BE SUBSTANTIALLY OFFSET BY LOWER PROPERTY TAXES PAID TO OTHER TAXING JURISDICTIONS.**

- **IN COMPARISON WITH THE OTHER 44 OTHER CITIES IN HENNEPIN COUNTY, DEEPHAVEN WILL STILL HAVE THE 4TH LOWEST TAX CAPACITY RATE IN HENNEPIN COUNTY IN 2020. IN 2019, DEEPHAVEN HAD THE 2ND LOWEST TAX CAPACITY RATE IN 2019.**

IF YOU HAVE ANY QUESTIONS, PLEASE FEEL FREE TO CALL ADMINISTRATOR DANA YOUNG AT 952-358-9939 OR DANAYOUNG@MCHSI.COM.

OTHERWISE, A MORE EXTENSIVE REVIEW OF THE 2020 BUDGET & LEVY WILL BE PROVIDED AT 7:00 P.M. ON MONDAY, DECEMBER 2ND AT THE ANNUAL TRUTH IN TAXATION MEETING.