

OFFICIAL PROCEEDINGS OF THE COUNTY BOARD
WASHINGTON COUNTY, MINNESOTA
TRUTH IN TAXATION PUBLIC HEARING
DECEMBER 7, 2006

The Washington County Board of Commissioners convened at 7:00 p.m. in the Washington County Government Center, County Board Room, to conduct a Truth-in-Taxation public hearing for the purposes of review of the proposed 2007 county budget. Present were Commissioners Peterson, Kriesel, Stafford, and Hegberg. Commissioner Pulkrabek absent. Board Vice Chair Kriesel presided. Also present were Jim Schug, County Administrator; Molly O'Rourke, Deputy Administrator; Melinda Kirk, Budget/Financial Analyst; Greg Orth, Commissioner-Elect, District 5; Wayne Sandberg, Deputy Director of Transportation and Physical Development; Lowell Johnson, Director of Public Health and Environment; Dan Papin, Community Services Director; Patricia Conley, Library Director; Sue Harris, First Assistant County Attorney; Harley Will, Financial Services Director; Kevin Corbid, Director of Property Records and Taxpayer Services; Joanne Helm, Assessment/Taxation Program Manager; Steve Gransee, Administrative Services Manager; Bruce Munneke, County Assessor; Kay McAloney, Human Resources Director; Vickie DeFord, Deputy Human Resources Director; Tom Adkins, Community Corrections Director; Steve Pott, County Sheriff; Jennifer Wagenius, Property Records and Taxpayer Services; Mjyke Nelson, Information Technology Director; Jon Larson, Veterans Service Officer; and Steve Nelson, Public Information Coordinator II.

The Board recited the Pledge of Allegiance.

Board Vice-Chair Kriesel opened the hearing with a welcome to those in attendance.

James Schug, County Administrator, gave a brief overview of the budget process to date. He stated that final action on the budget and levy will be taken on December 12 at the County Board meeting. He noted that various Department Heads are here this evening and are available to provide information or answer questions. He also mentioned that staff from the Assessment Department is available to help those who have questions about their property valuations.

Molly O'Rourke, Deputy Administrator, presented an overview of the proposed 2007 budget.

The Board Vice-Chair opened the meeting for comments from the audience.

Dennis Plan, 827 77th Street, Cottage Grove – Mr. Plan asked why are the tax values for some houses that are described in the pass outs he presented going down? One house was bought for \$1.78 million in 2001 and it hasn't had a tax increase in five years. Another person paid \$1.4 million for their house and it's valued at \$700,000 and there was a \$45,000 decrease in the value of that house. He does not understand the policy that allows this. In a couple of months they will have a right to ask that their property be devalued even more.

Norm Dupre, 3495 Norman, Baytown – Mr. Dupre stated his house values go up every year in spite of the fact that the house is 35 years old. Last year it went up \$40,000 to \$50,000 and nothing has been done to it. He also has a development called Baylake Reserve which has 28 lots. They sold 4 lots in 2003. The other 24 lots have been sitting there all these years and the valuation on these lots is right at the extreme. He is here tonight because of a staged taxation on empty lots for developers. They push you to bankruptcy on the taxation while he is sitting there holding the empty land. Why isn't this land taxed at a modest rate until it is sold? Why does it keep going up each year until a person is paying the retail value of a lot? The land sitting there is farmland, doing nothing, but the tax rate is expensive. He asked that the rules be changed.

Kevin Church, 4869 130th Street North, Hugo – Mr. Church commented that his property taxes have increased 12.4%. The county's levy for him is increasing 11.6%. The City of Hugo is going up 17.9%, Met Council is going up 17.5% and one of the two school districts is going up 16.2%. The county's increase in actual dollars is the second highest next to Hugo. His income is not going up anywhere near this fast. His medical insurance is going up. The fuel costs are going up and at the same time they are trying to save for retirement. He would like to see all government develop a corporate model. When there was less revenue than there was expenses they were asked to cut the budgets. He would like to see the county, through a combination of productivity increases and cost reductions, cap the increases in the property taxes to at least inflation, 3 to 4% a year. He does not believe that 12.4% overall is sustainable.

John Rantala, 1671 10th Avenue, Apartment 2, Newport – Mr. Rantala addressed what these taxes are doing to affordable housing. He owns a four-plex, lives in one of them and rents the other three units. His taxes went up 44.7% or a \$1,400 increase this year across the board. The problem that he has with that is that he has tenants who are not rich. The State and county support affordable housing, but the problem is there is nothing that protects four-plexes or small apartment buildings. He can only absorb so much of this tax and the rest has to be passed on to the tenants in increased rents, which makes this unaffordable housing. Where does he go for any release from this? There is no program in effect, nothing that caps how much his taxes can be raised, there is no program in the state that he is aware of that applies to four-plexes. The state programs that he is aware of through the Minnesota Housing Finance Agency only apply to large apartment buildings and new construction. So affordable housing that they currently have in the county is becoming unaffordable housing because of the increases in taxes. In meetings he has attended the city says it is the county that is responsible, District 833 says the county is responsible and the county says that the state is responsible. He has a hard time explaining to his tenants why he is going to have to raise rent, and just because the county can raise taxes doesn't mean it's a good idea to do it.

Duane Nelson, 822 South Second Street, Stillwater – Mr. Nelson stated if he would have had a speech prepared it would be essentially the same talk the Board heard from the prior speaker. He has two four-plexes in Stillwater, one is up 37% in market value and the other one is appraised at 44%. One of these buildings is occupied by primarily retired people. In the Stillwater market it is very difficult to raise rent.

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His experience for the last three years has been that if there is a vacancy you are looking at six to nine months of vacancy before it is filled with a qualified renter. He is asking for some consideration on this 37 and 44% increase. It really is not feasible to cover these increased tax costs through rent increases, that is not an option, he will have to pay it. He thinks the county is in good shape financially, but he does wonder about inflation plus population growth. He would be curious to see a chart that would compare increased spending by the county versus population percent increase plus inflation. Inflation is at 3.5%, but he has no idea what the population increase is, but as a percent if you add those two numbers together and compare it to the percent increase here, he wonders if the county is exceeding that or is below that or if it's right on. If anyone in the room has an answer to that he would like to hear it.

Mr. Schug indicated that Mr. Nelson's question about population and inflation is the basis on which the county has tried to develop the budget over the past year. Typically, Washington County has had between a two to three percent increase in population per year over the recent years and inflation has ranged anywhere from two to four percent. This year is a little different because the county will open the two new service centers and that did increase the costs.

Kevin Corbid, Director of Property Records and Taxpayer Services, responded to some questions raised by the audience. He knows that the apartment valuations have had increases in value based on the increases they were seeing in the sale of those types of property throughout the county over the last couple of years. He feels it is important to remember from the appraisal standpoint that there are a number of laws that they are required to follow. The Department of Revenue tests the county on how well it is doing and if the county does not get the property up to market value the state will do it for the county. The question about plat deferral is one that has been discussed over the years at the legislature—what to do on those properties that are in highly desirable areas and that are developing now. There is a phase in of the tax burden to allow people to sell over a period of years. It used to be that property that was platted had a three year deferral rate statewide. A couple of years ago the state changed that so property outside the metropolitan area had a seven year phase-in rate under the plat deferral program and metropolitan counties still have the three-year deferral. It is his guess that the legislature feels that is a way of providing assistance to those folks who are developing and giving them opportunity to phase in. He understands from Mr. Dupre that it may not be enough time in order to get these things developed. That is an item that can be discussed at the legislature and request that changes be made to that. This is not a change the county could implement on its own.

The Board Vice Chair asked for further comments from the audience; none were heard.

Commissioner Stafford announced that he will be winding up 32 years at the county beginning in January, 2007. During those 32 years he spent a fair amount of years trying to get property tax reform. The biggest problem as he sees it is that the tax laws are based on the value of the property. The public would like a system based on ability to pay. The closest the state got was when the state used what was called a circuit

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breaker where they cranked in a factor of income in relation to the tax which offered some relief, especially to senior citizens. That has been pretty well diluted now. The legislature has to get back to talking about an individual's ability to pay. He is surprised about the number of people who are not aware of their own rights. Everyone received a notice in March on what values were going to be on their 2007 taxes. A meeting was held by the local board and then the county board held a meeting to consider lowering their valuation. The reference that the school districts like to blame the cities, the cities like to blame the counties etc. He asked that that individual ask the cities or school districts to name specifically where the county has created a tax burden for them. The county doesn't. He stated the individual should ask the county to point out what the state is doing to force the county to raise property taxes, and the county would need another two to three hours to identify those areas where the county is forced to raise property taxes due to state initiatives. He feels the county is not passing the buck and is running a very responsible county given the tools it has to work with.

Commissioner Hegberg stated that the county has done an excellent job over the last ten years by reducing the number of department heads, increasing productivity, setting goals and benchmark measurements to see that the county is spending the taxpayer's money efficiently and wisely. The courts have been delayed for 15 years and are needed now. The jail will be almost full in about five years with the county's own residents. When it was built, the county was renting out space and earning revenue, but because of the county's growth the jail is now reaching a plateau. Commissioner Hegberg indicated that he owns rental property and the value does go up. There were low interest rates for a while and everybody wanted to buy. Now, the interest rates are up again, but he has a feeling that the values of rental property will stabilize or go down because you cannot pass those kinds of sizeable rent increases to the renters.

Commissioner Peterson stated she was elected in 1993. An acre of farm land in Cottage Grove was going for \$1,500 to \$3,000 an acre. Thirteen years later it is \$175,000 an acre. That's an underlying thing that has happened throughout the county, property has just jumped unbelievably. That does have an impact on the assessed valuation. The county does have many seniors and that population is growing. There has to be a discussion at the legislature to either revisit the circuit breaker or to do something. Private business as well as public business have all been impacted by the cost of health care. As an employer, the county has to look at the market value and review the insurance plans every year to make sure they get the best bang for its buck so they are not passing that on to the citizens of the county. Commissioner Peterson believes the county has been a very responsible County Board. Staff has worked to keep the budget low and everything has been done to abide by the state mandates and still provide quality service. She does point a finger at the legislature because they have reduced the dollars they give to the county, but they don't reduce the mandates and let the county make a decision on whether that mandate may or may not be needed. The county may not need it, but the mandate says the county has to provide the service. She indicated that there will be a meeting in Cottage Grove at 2:00 p.m. on December 12 for seniors to come in and discuss their assessed valuation. There are ways that individuals can get a property tax refund and also some ways to defer their property tax until it's sold if you are a senior.

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Commissioner Kriesel stated he believes this Board recognizes the fact that a lot of citizens are at the upper limits of their tax tolerance and that is why the Board finds it essential to focus on core services. There is not a lot of frill to this budget. The Board does focus on the service that the citizens need and demand for public safety, health and welfare, and transportation.

The Board Vice Chair thanked everyone for coming to this evening's meeting. He invited everyone to stay after the meeting to discuss their individual situations with county staff. The meeting adjourned at 8:00 p.m.

Gary Kriesel, Vice Chair
County Board

Attest:

James R. Schug
County Administrator

