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Where do my Tax Dollars Go?

Residents often ask “Where do my tax dollars go?” This is a fair question and I would like to provide a little insight into this so that you can have some idea.

For starters, let’s use a house with a \$100,000 value for tax purposes. This is a round number, and your taxes will be more or less depending on the value of your home. According to 2017 tax bills, the property tax on a \$100,000 home would be approximately \$2,224. The County tax portion of this amount is \$642 and there are two levies on our taxes that are \$181 and \$152 based on a home of this value. This brings the city portion of the property tax to \$1,566. You can also see this dollar amount if you look at your tax statement. This is the amount of money the homeowner pays to fund all of the city services for the year. As a percentage, the city portion of your total property tax bill is approximately 70%. But, unlike the county portion and levies, 100% of these tax dollars are used right here in your community.

How are Your City Tax Dollars Spent?

There are several departments within the city that are funded by the tax dollars collected from property owners. Property taxes do not make up the entire budget, however, since we also receive money through the State from Local Government Aid and other sources. But as far as property tax dollars go, this is how your tax money is distributed:

Debt Services: Each year, the city makes payments on bonds that the city has secured in prior years for large projects that are undertaken. Bonds are essentially loans to cover the cost of major projects such as street reconstruction or the construction of the new water plant. These bonds can extend out 10-20 years and have interest rates that are very favorable. The City of Sherburne has an excellent rating, so our bond interest rates are very low. Each year, 17% of the city budget goes toward making payments on these bonds. In our example, this means that \$266.22 of the \$1,566 is spent on bond payments.

Administration: Administration covers a number of areas for the city. This department covers the costs of preparing and mailing water bills, managing the city’s finances, paying the bills as needed, directing projects within the city and a number of other duties. In our example, \$375.84 of the \$1,566 or 24% of the property tax collected is used to cover the cost of running the city.

Streets: The street department budget accounts for 20% of the budget. This includes snow removal, street sweeping, patching, seal coating and any other projects that may come up that would be considered maintenance. Each year, \$313.20 of the \$1,566 is used for street department expenses.

Police: The police department budget accounts for 16% of the budget each year. This is significantly lower than what it would be if the City of Sherburn and Welcome did not share a police department. The department operates 20 hours a day with 4 hours of “on-call” time each day. Each city pays a portion of the police department budget based on the population of each community. Of the \$1,566 in our example, \$250.56 is spent on the police department each year.

Fire/Ambulance: Fire and Ambulance services account for 12% of the property taxes that are collected each year. This money is used for all of the on-going expenses of the two departments including staffing, maintenance on the vehicles, supplies, training and all other costs associated with operating the departments. The department accounts for \$187.92 of the \$1,566 tax dollars.

Set-Aside Funds: This expense is basically a savings account for the city. Each year, the city anticipates future expenses and tries to set aside money to cover these expenses. This includes replacement of future equipment such as lawn mowers, work trucks, and other large and expensive pieces of equipment. The city also anticipates other expenses such as building repairs that may need to be done such as new carpet at the liquor store or a new roof on the community hall. One example is the handicap lift that was put in at the community hall. This was funded through set-aside money that the city had been putting away for this project over the years. If we did not do set-aside funds, the city would have to budget the entire cost of items for the year they plan to purchase it which could lead to big increases in the budget from one year to the next. The city just replaced the street sweeper which cost \$170,000, but because of set-aside money, the funds to cover this cost were already there when the machine was purchased. Set-aside funds account for \$140.94 of the \$1,566 or 9% in our example.

Community Hall/Parks: The Community Hall and Parks are both amenities that are provided for the use of citizens and groups to hold events or just enjoy at their leisure. The Community Hall hosts banquets, plays, organizational meetings, wedding dances and other various gatherings. For a nominal rental charge, individuals and organizations can utilize this facility for their events and with the addition of the chair lift, it is now accessible to everyone. The city also installed a sound system in the building in 2017 which makes it increase its value for large groups.

The parks in the community are used by many people for school events, family reunions, the city festival and just simply day to day enjoyment. The city maintains the parks through the summer to keep them as appealing as possible and we often receive compliments about the condition of our parks.

The Community Hall and Parks each account for 1% or \$15.66 of the \$1,566 in our example.

Conclusion

I hope this better explains how your Sherburn tax dollars are spent each year. If you have any questions or concerns, please feel free to stop in to City Hall and ask. We will be more than happy to try and answer any of your questions.



Sincerely,
Brad L. Hughes