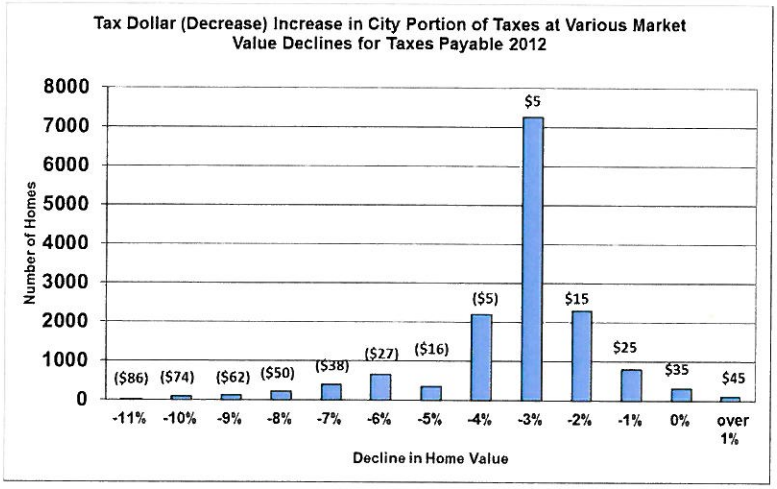
2012 City Budget Update

In these tight economic times, be assured that the City of Apple Valley is doing its share to budget accordingly. The Apple Valley City Council has approved a preliminary property tax levy for 2012 that is $674,751 lower than the year before. As a result of this lower levy and the impacts of changes at the State-wide level, 76.5 percent of residential property owners will see the City's share of their property tax bill increase less than 1% for 2012.

The City of Apple Valley will be conducting the City's Truth in Taxation hearing on December 8th, 2011 at 8 p.m.

Apple Valley residential properties experienced an average decrease in median value of 2.94% from 2011 to 2012 resulting in a median value home of $197,800. Under the recommended 2012 budget, this typical median value home will see an increase in the City's share of the property tax bill of less than 1 percent.



Even though the levy is falling for 2012, your taxes paid may not decline because of a combination of changes the State of Minnesota made to the Homestead Credit Program or the changes in your individual properties value. Because of these changes the city taxes on the median valued home will go up approximately $5 for 2012.

The 2012 property tax levy continues the commitment to the maintenance of the City's infrastructure with a levy of nearly $1.675 million for the Street Maintenance Program for 2012. The levy also increased $138,000 for the debt service on the Voter Approved Park Bonds. The City will no longer have to have a direct local levy to support the Market Value Homestead Credit program but, with the changes to the program, will reduce the city's tax base as the program switches to a reduction in taxable market values.

Levy Component	2011	2012	$ Change
General Fund	$17,860,000	$ 17,897,000	$ 37,000
Street Maintenance Program	1,598,000	1,675,000	77,000
Market Value Homestead Credit	1,120,000	-0-	(1,120,000)
Property Tax Delinquencies	200,000	400,000	200,000
Debt Service- Voter Approved	1,664,000	1,802,000	138,000
Debt Service- All other levy supported	258,000	251,249	(6,751)
Total	$ 22,700,000	$ 22,025,249	$ (674,751)

Market Value Homestead Credit Changes

Recent legislative changes to the state's Market Value Homestead Credit (MVHC) program will significantly impact the 2012 property tax levy. The former system consisted of a property tax credit based upon the home's value, and when the state refused to fund the program in past years, the City was required to raise property taxes on all properties to make up the difference.

The new Homestead Market Value Exclusion (HMVE) program makes adjustments within the tax formulas to provide a similar tax relief by providing for a reduction to the Taxable Market Value. As a result, there will be an adjustment to the 2012 levy, but the city will also experience a reduction in the overall tax base as the taxable market values are reduced. The reduction in the taxable market values for certain groups will pass the property tax burden to other property classes or values.

The following table provides an estimate of the impact of the new Homestead Market Value Exclusion program on varying home values. A home valued at $100,000 will see their City portion of their taxes fall for 2012 because of the impact of the new Homestead Market Value Credit program. A home valued at $414,000 will see their taxes rise an additional 2/10 of 1% because of the new Homestead Market Value Exclusion

Change in taxes related to the change in the Homestead Credit program, with a comparison to the 2011 tax amount.

Home Value (assumes decline in value of 2.94%)	'11 City Tax with MVHC	'12 City Tax with MVHC	'12 City Tax with HMVE	Net '12 Increase (decrease)	Net Incr. (decrease) as %
$100,000	$ 359	$ 362	$ 357	($ 5)	(1.4%)
$197,800	861	869	867	($ 2)	(0.2%)
$300,000	1,387	1,399	1,400	$ 1	0.1%
$414,000	1,968	1,989	1,993	$4	0.2%

Challenges We Face

We are adjusting our operations to reflect the new economy, while holding the line on property taxes. Particular challenges for 2012 and beyond include:

1. The City is striving to continually meet the service expectations of our property owners with fewer available resources. Staff reductions and modifications continue for 2012. The City currently has nine staff positions vacant. In addition, the City recently modified the way it handles engineering services resulting in a net savings to the City and its taxpayers.

2. Maintaining the commitment to the City's investment in our aging streets and infrastructure. Each year the City aggressively undertakes a street maintenance/overlay/sealcoating program to extend the life of our streets. For 2012 the

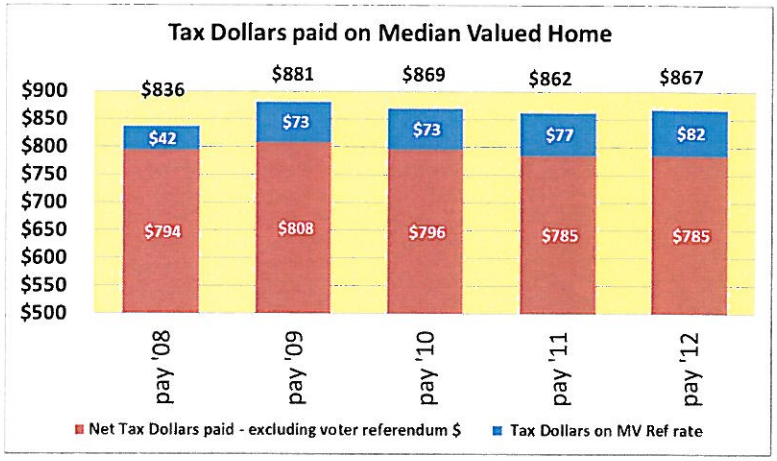
property tax levy for street maintenance totals $1.67 million—a sizable investment but one that will save dollars in the long-run and protect our investment in our infrastructure.

3. Recent changes in the state-wide Homestead Credit Program will have impacts to the property taxes paid by all different types of properties as the changes shift the burden from residential property types to higher valued and commercial properties.

The City budget provides the framework through which essential public services are provided to the public. Essential and desirable services such as police, fire, street repair, snow plowing, parks & recreation, drinking water, sewer disposal, and stormwater management are all accounted for in the City's budget. While these services are sometimes taken for granted or go unnoticed, it is the City budget that helps ensure that the services are adequately funded to help maintain the high quality of life our community is known for.

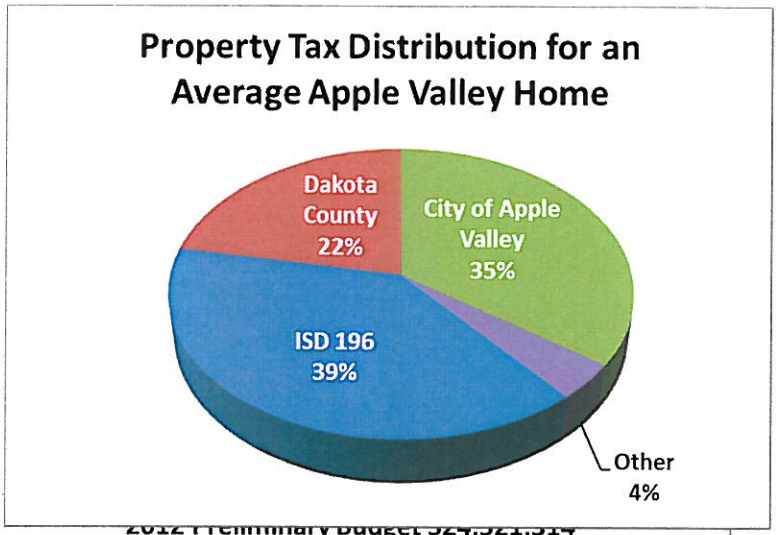
Tax Dollars paid in City taxes lower than 2009

The City tax dollars paid by the median valued home increases approximately 1% or $5 per year for 2012, most of this increase is related to the increased debt service on the voter approved Park Referendum Bond, represented by the blue bar on the chart on the right. In total, the 2012 taxes paid are the lowest since 2009 and the increase from 2008 is related to the debt service on the park bonds issued in 2008.



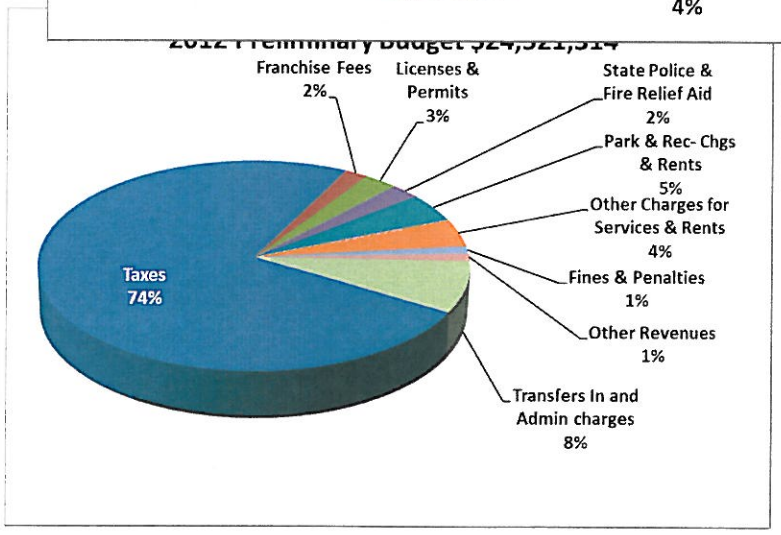
The City of Apple Valley makes up 35% of your property tax Bill

While the City of Apple Valley has strived to lessen the impacts on property owners, the City has no control over levy decisions by other government entities serving Apple Valley. So while the City's portion of the taxes may go up slightly or go down, Apple Valley officials cannot guarantee the same will be true for a property owners overall tax bill.



Sources of General Fund Revenues

Property taxes are the main source of revenue for the City's General Fund providing 74% of the sources needed to operate all the functions of the general government. The remainder of the revenues is generated by sources such as permits, licenses, lease income, fees, service charges, park operations and transfers and other revenues. These activities of the general government include Police, Fire, Street Maintenance, Park Maintenance Recreation Activities and more.



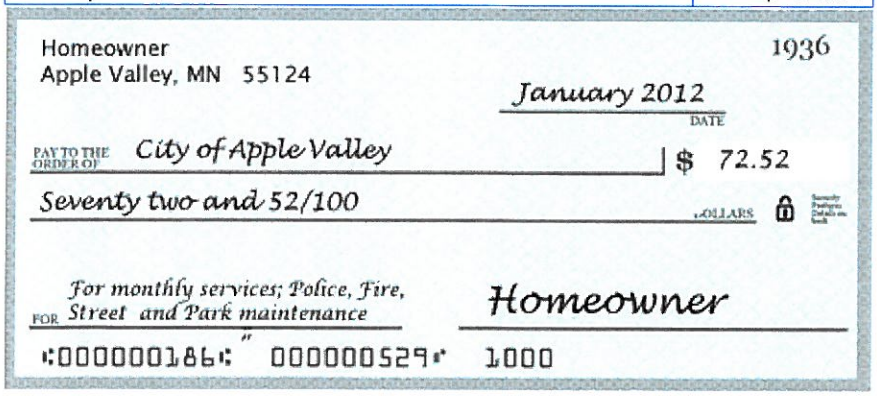
General Fund Expenditures

In total General Fund Expenditures, to support general government services, remains at approximately the same level as last year, $24.5 million. This budget reflects the economic climate we are in, and yet still provides adequate funding to provide nearly all of the services our citizens have come to expect.

The services the City of Apple Valley provides are necessary, essential, and quite diverse. In Apple Valley, resources are leveraged, services are efficient and economical, and we stand accountable for the product we deliver at the low-cost prices we have come to expect, typically take for granted, and are dependent on a daily basis.

The total cost for City services in 2012 for the median value Apple Valley homeowner is $72.52 per month. The checkbook illustrates how this amount is divided among various City departments that are supported by property taxes.

Police	$ 22.06
Public Works	$ 15.23
Park and Recreation	$ 11.10
Fire	$ 5.18
Debt Service	$ 5.60
City Council, Administration & Human Resources	$ 4.84
Community Development	$ 2.22
Insurance / Contingency	$ 1.18
Finance	$ 2.11
Information Technology	$ 1.73
Legal Services	$ 1.28
Total per Month	$ 72.52


Homeowner
Apple Valley, MN 55124
1936
January 2012
DATE
PAY TO THE ORDER OF City of Apple Valley $ 72.52
Seventy two and 52/100 DOLLARS
For monthly services; Police, Fire, Street and Park maintenance
FOR
Homeowner
⑆000000186⑆ 000000529⑈ 1000

Everyone is invited to attend the City's Truth in Taxation Hearing that will be held December 8, 2011 at 8:00 p.m. at the City of Apple Valley City Hall. For more information visit the City's website at www.ci.apple-valley.mn.us