

Fridley Public Schools ISD #14  
Public Hearing for Taxes Payable in 2015



*A World-Class Community of Learners*



# WELCOME

---

December 16, 2014

Presented by:

Matthew Hammer

Director of Finance



## Agenda for Hearing

- A. State Funding of Schools
- B. Current District Budget and Prior Year Actual Financial Results
- C. District's Proposed 2015 Tax Levy
- D. Public Comments and Questions



## School Funding Highly Regulated by the State

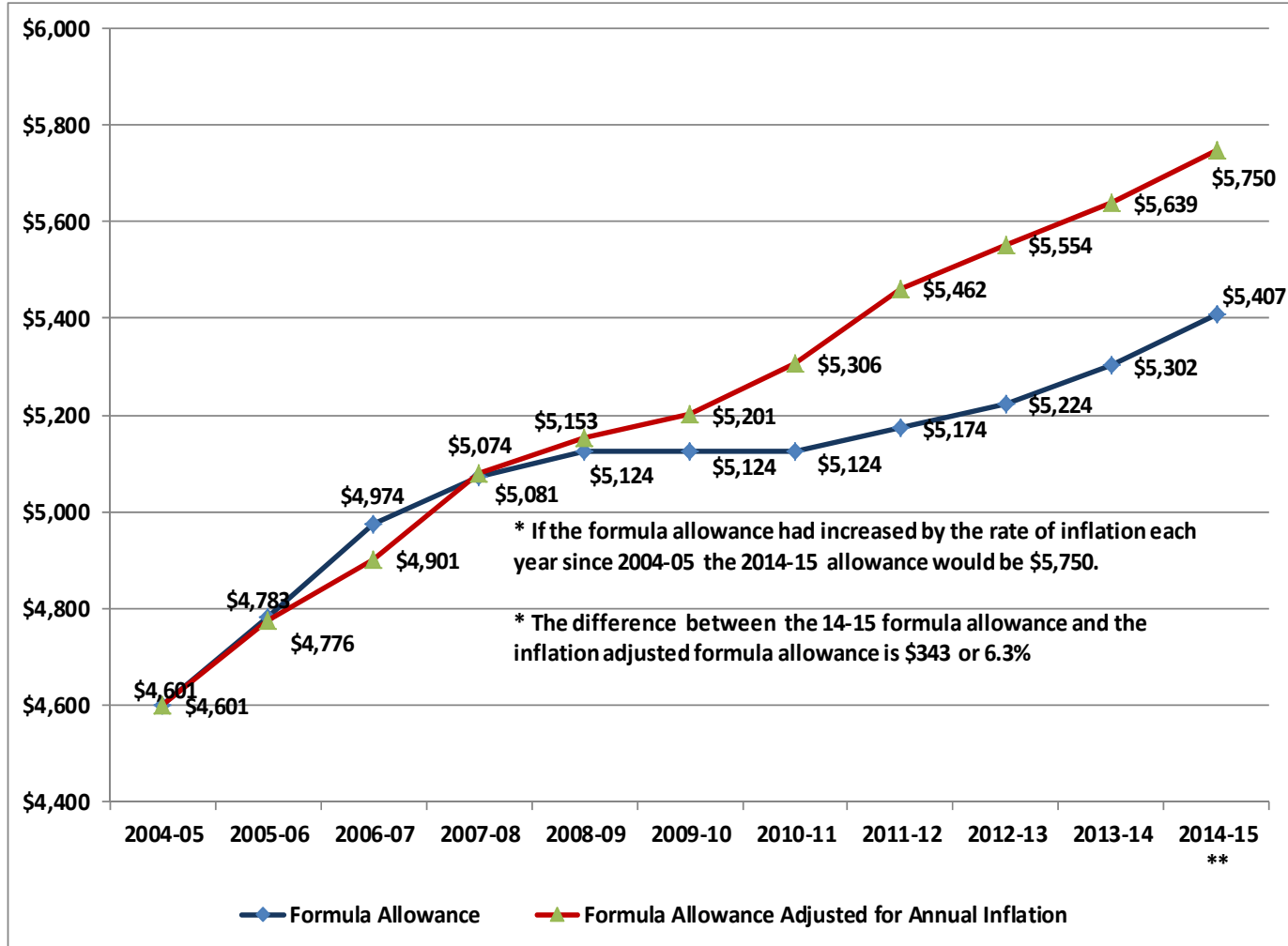
- State sets formulas which determine revenue
  - Driven mostly by pupil counts
- State sets property tax levy caps
- State requires school boards to submit referendums for operating and capital needs to voters for approval

## Basic General Education Formula Lags Inflation

- Since 2004-05, the state General Education Revenue formula has not kept pace with inflation
- Per-pupil allowance for the current year would need to increase by \$343 (6.3%) to have kept pace with inflation
- For Fiscal Year 2014-15, the Legislature approved an increase of \$105 per pupil unit, or approximately 2%

# Trends in General Education Formula Allowance for Minnesota School Districts, 2004-05 through 2014-15

Adjusted for Inflation



SOURCE: Formula Allowance and CPI-U are from Minnesota Department of Education, *Referendum Cap Inflation Estimate 2014*

\* Consumer Price Index for all urban consumers for the Minneapolis-St. Paul area.

\*\* The real dollar increase in the Formula Allowance for 2014-15 is 2.0% or \$105. The balance of the increase to \$5,831 is to adjust the Formula Allowance for the change in student weighting.

Prepared by Ehlers

## Result: A Growing Reliance on Referendums

- Other funding sources (e.g., special education, capital funds) also have not kept pace with inflation
- Primary options for districts to bridge funding gap are to cut budgets or increase referendum revenue; most districts have done both
- For 1992-93, 65% of the schools in Minnesota had a referendum authority averaging \$332 per resident pupil
- In 2014-15, 95.2% of Minnesota schools depend upon referendum revenue averaging \$1,075 per adjusted pupil (including Local Optional Revenue) to balance their budget

# Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 8 funds:
  - General
  - Food Service
  - Community Service
  - Building Construction
  - Debt Service
  - Internal Service
  - OPEB\* Trust
  - OPEB\* Debt Service

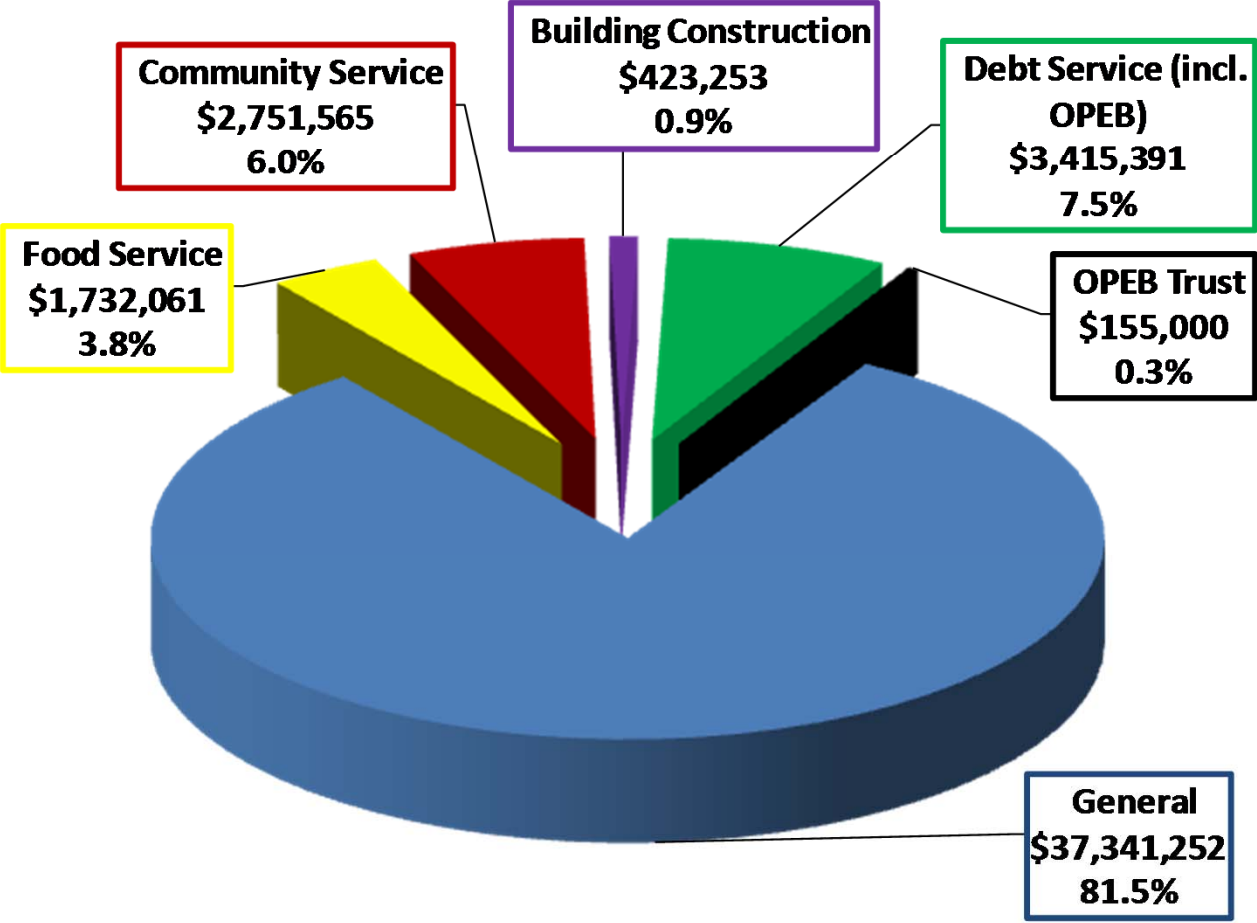
\*Other Post-Employment Benefits

**Fridley Public Schools ISD #14  
District Revenues and Expenditures  
Actual for FY 2014, Budget for FY 2015**

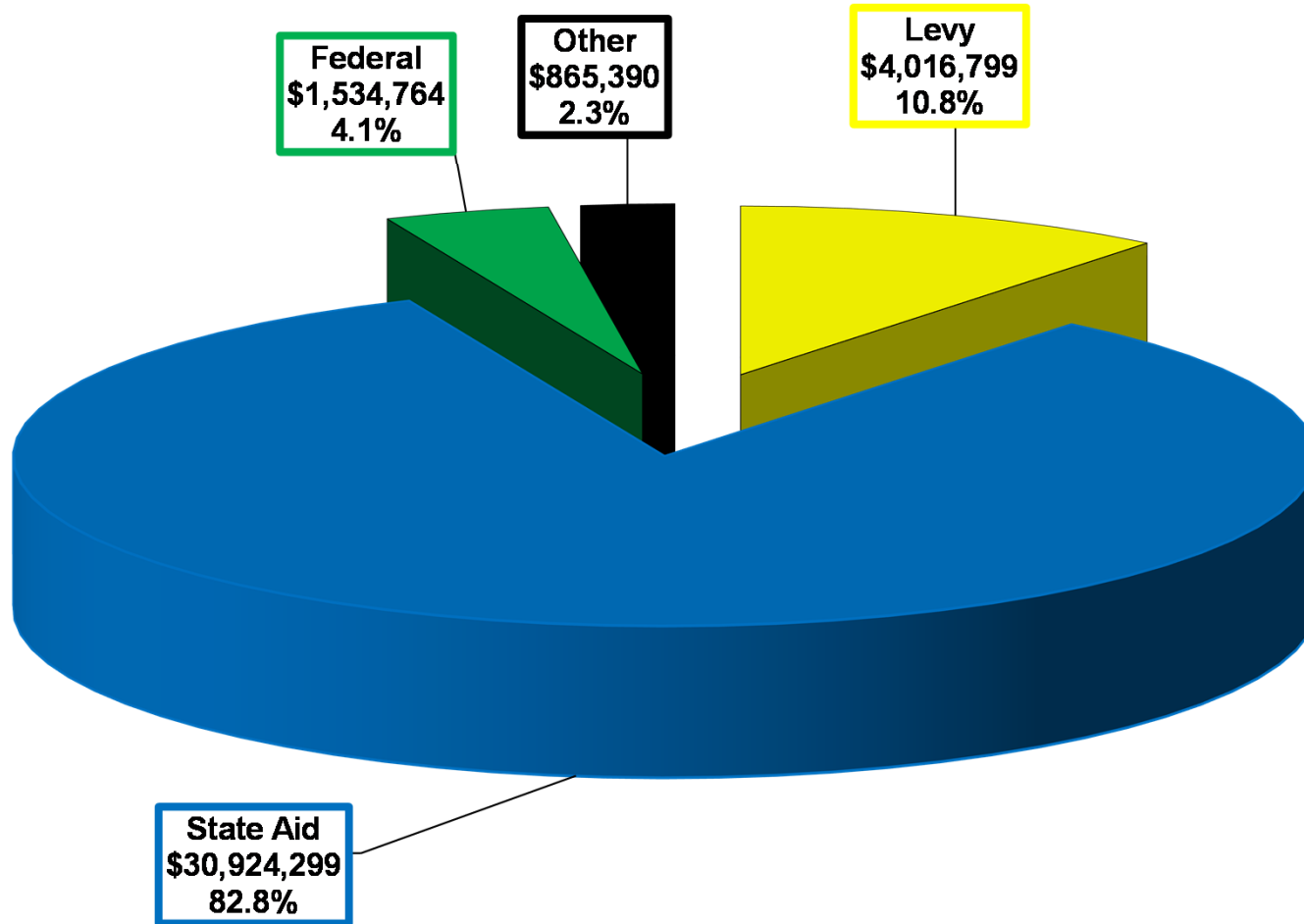
FUND	FY 2014 BEGINNING FUND BALANCES	FY 2014 ACTUAL REVENUES AND TRANSFERS IN	FY 2014 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2014 ACTUAL FUND BALANCES	FY 2015 BUDGET REVENUES AND TRANSFERS IN	FY 2015 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2015 PROJECTED FUND BALANCES
<b>General/Restricted</b>	\$630,066	\$6,511,091	\$6,827,494	\$313,663	\$7,208,262	\$7,290,884	\$231,041
<b>General/Other</b>	\$1,133,087	\$29,855,517	\$29,435,147	\$1,553,457	\$30,132,990	\$30,044,600	\$1,641,847
<b>Food Service</b>	\$170,525	\$1,665,913	\$1,679,467	\$156,971	\$1,732,061	\$1,731,079	\$157,953
<b>Community Service</b>	-\$34,659	\$2,398,801	\$2,563,812	-\$199,670	\$2,751,565	\$2,699,790	-\$147,895
<b>Building Construction</b>	\$2,499,986	\$731,956	\$2,421,634	\$810,308	\$423,253	\$423,253	\$810,308
<b>Debt Service</b>	\$452,691	\$2,542,237	\$2,589,998	\$404,930	\$2,804,483	\$2,733,875	\$475,538
<b>Internal Service Fund</b>	\$175,303			\$184,792			\$187,166
<b>OPEB* Trust</b>	\$4,672,851	\$206,215	\$280,690	\$4,598,376	\$155,000	\$370,050	\$4,383,326
<b>OPEB Debt Service</b>	\$49,837	\$578,963	\$565,828	\$62,972	\$610,908	\$564,578	\$109,302
<b>TOTAL - ALL FUNDS</b>	<b>\$9,749,687</b>	<b>\$44,490,693</b>	<b>\$46,364,070</b>	<b>\$7,885,799</b>	<b>\$45,818,522</b>	<b>\$45,858,109</b>	<b>\$7,848,586</b>

\* Other Post Employment Benefits

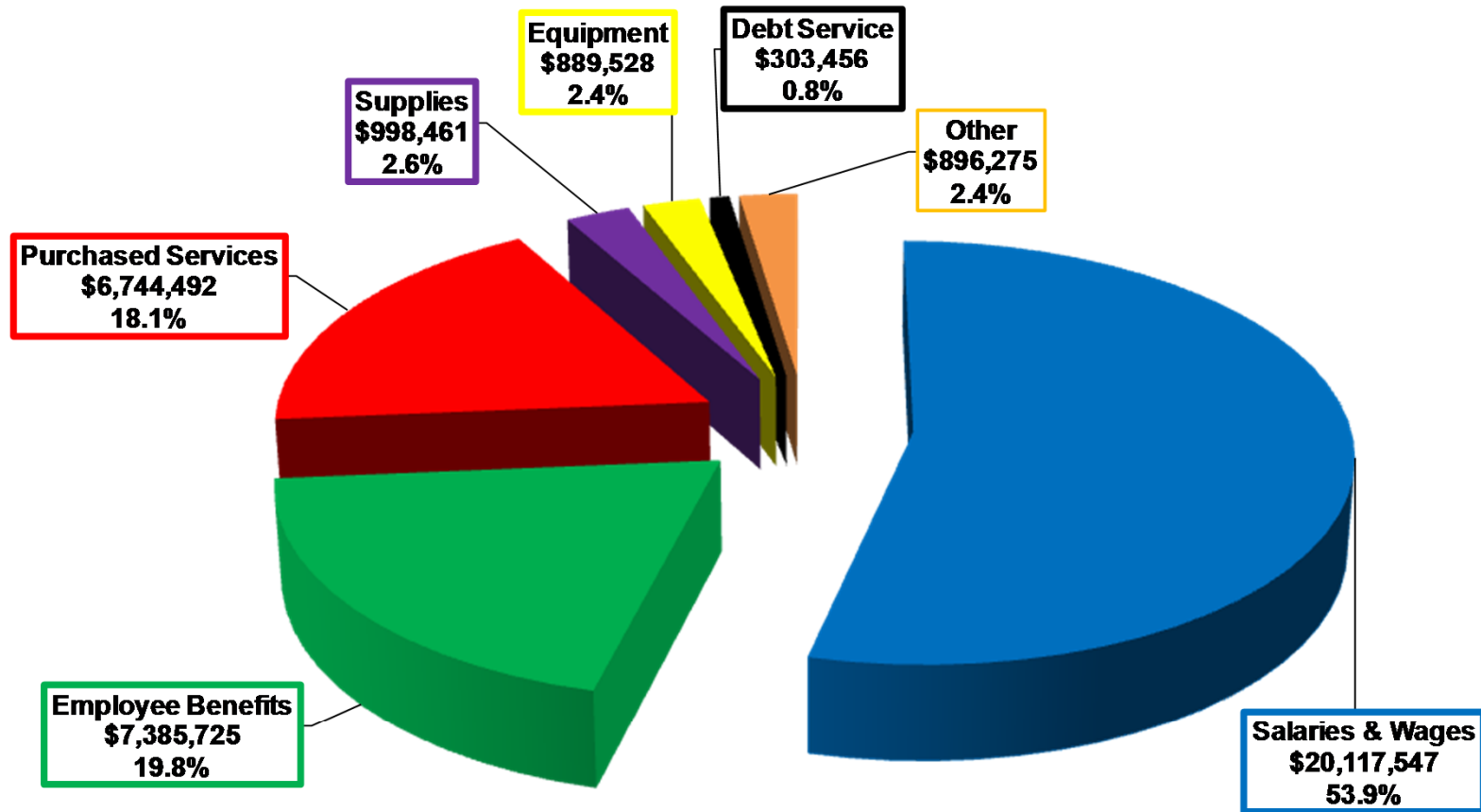
**Fridley Public Schools ISD #14  
Revenue - All Funds  
2014-15 Budget \$45,818,522**



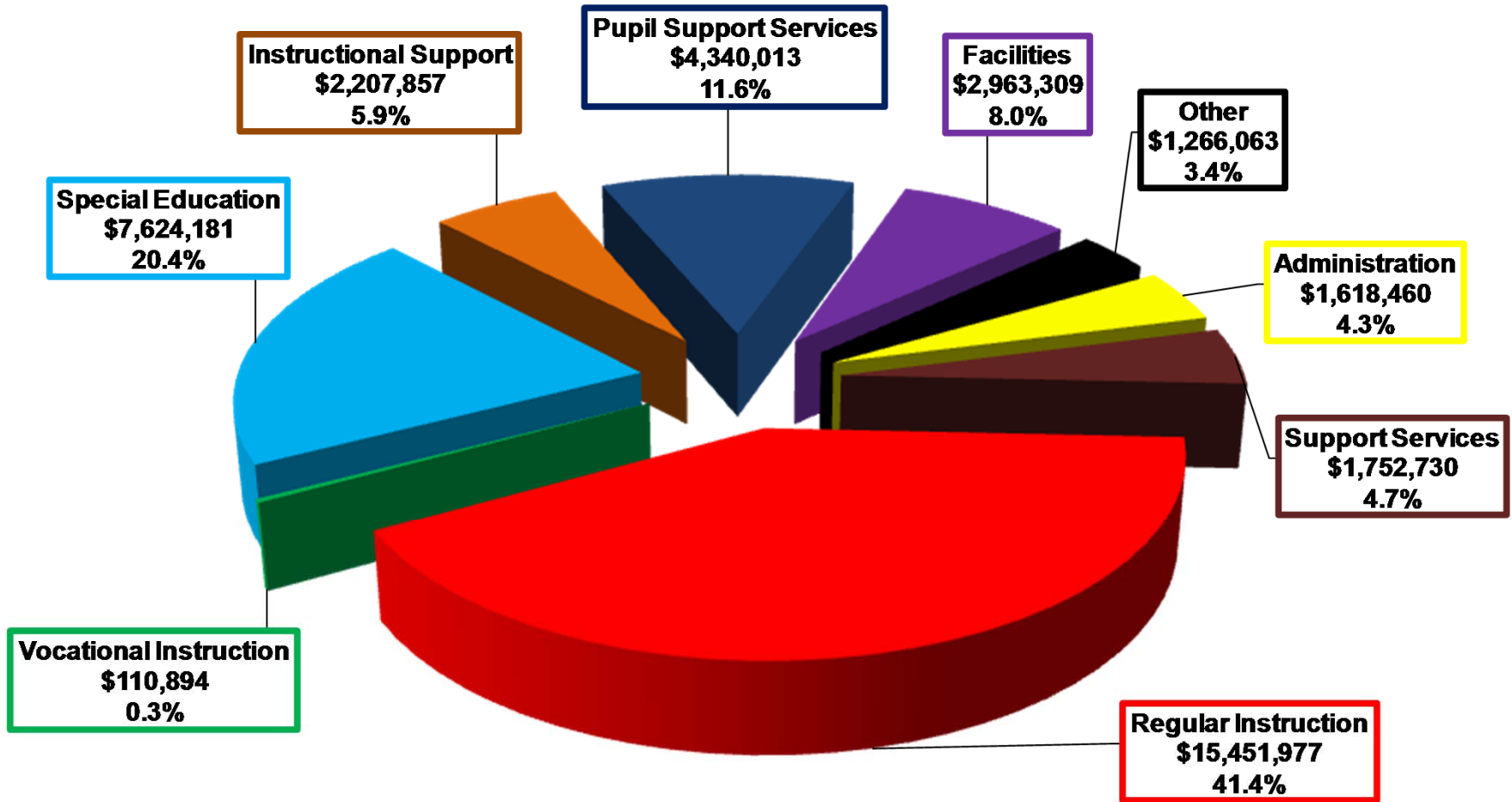
**Fridley Public Schools ISD #14  
General Fund Revenue  
2014-15 Budget \$37,341,252**



**Fridley Public Schools ISD #14  
General Fund Expenditures by Object  
FY 2014-15 Budget \$37,335,484**



**Fridley Public Schools ISD #14  
General Fund Expenditures by Program  
2014-15 Budget \$37,335,484**



## Overview of Proposed Levy Payable in 2015

- Total 2015 proposed property tax levy is an increase from final levy in 2014 of \$563,926, or 7.2%
- State law requires that we explain the reasons for the major increases in the levy

## Fridley Public Schools ISD #14

### Comparison of Proposed Tax Levy Payable in 2015 to Actual Levy Payable in 2014

Fund Levy Category	Actual Levy Payable in 2013	Proposed Levy Payable in 2014	\$ Change	% Change
<b>General Fund</b>				
Voter Approved Referendum	\$828,469	\$768,660	(\$59,809)	
Location Equity/Local Optional Equity	986,845	964,312	(22,533)	
Capital Projects	312,840	352,207	39,367	
Operating Capital	651,253	634,518	(16,735)	
Alternative Teacher Compensation	184,440	197,091	12,651	
Achievement & Integration	153,934	163,748	9,814	
Safe Schools	155,039	172,180	17,141	
Health & Safety	114,847	156,394	41,547	
Deferred Maintenance	206,965	112,601	(94,364)	
Instructional Lease	119,960	128,598	8,638	
Other	369,702	414,874	45,172	
Adjustments for Prior Years	123,523	106,115	(17,408)	
<b>Total, General Fund</b>	<b>\$4,126,799</b>	<b>\$4,343,697</b>	<b>\$216,898</b>	<b>5.3%</b>
<b>Community Service Fund</b>				
Basic Community Education	\$105,098	\$112,666	\$7,568	
Early Childhood Family Education	45,479	45,170	(309)	
School-Age Child Care	167,000	190,000	23,000	
Other	1,736	1,776	40	
Adjustments for Prior Years	2,473	24,810	22,337	
<b>Total, Community Service Fund</b>	<b>\$321,786</b>	<b>\$374,422</b>	<b>\$52,636</b>	<b>16.4%</b>
<b>Debt Service Fund</b>				
Voter Approved Debt Service	\$1,097,355	\$1,101,555	\$4,200	
Other Debt Service	1,757,201	1,911,499	154,298	
Other Post Employment Benefits	592,335	590,234	(2,101)	
Reduction for Excess Fund Balance	(119,832)	(96,291)	23,541	
Adjustments for Prior Years	79,332	193,785	114,453	
<b>Total, Debt Service Fund</b>	<b>\$3,406,391</b>	<b>\$3,700,783</b>	<b>\$294,392</b>	<b>8.6%</b>
<b>Total Levy, All Funds</b>	<b>\$7,854,976</b>	<b>\$8,418,902</b>	<b>\$563,926</b>	<b>7.2%</b>
<b>Subtotals by Truth in Taxation Categories</b>				
Voter Approved	\$2,568,980	\$2,595,566	\$26,586	
Other	5,285,996	5,823,336	537,340	
<b>Totals</b>	<b>\$7,854,976</b>	<b>\$8,418,902</b>	<b>\$563,926</b>	<b>7.2%</b>

## Explanation of Levy Changes

- Category: Adjustments for Prior Years – General Fund
- Change: \$253,417
- Use of funds: Various purposes
- Reason for increase:
  - ✓ Each year, the amounts for many levy categories are based on estimates of values and expenses for future years
  - ✓ In later years, the estimates are updated and levy amounts are changed through adjustments to the current levy

## Explanation of Levy Changes

- Category: Other Debt Service
- Change: +\$154,298
- Use of funds: Annual required payment of principal and interest on bonds
- Reason for increase:
  - ✓ Alternative facilities bonds were issued in 2007 to provide funds for health and safety projects which were approved by the Commissioner of Education
  - ✓ Planned increase in payments on alternative facilities bonds

## Explanation of Levy Changes

- Category: Adjustments for Prior Years – Debt Service Fund
- Change: +\$114,453
- Use of funds: Payments on bonds
- Reason for increase:
  - ✓ Adjustments for prior year property tax abatements approved by Anoka County, after levies were certified so that District will have sufficient funds to make payments on bonds



## Important Information About Your Property Taxes

Anoka County sends out property tax notifications and statements on behalf of several taxing authorities including your city, school district, the state, and several others, depending on where you live and the type of property you own. The following are some definitions that may help you better understand your property tax notification and statement.

**LEVY:** A levy is the total amount of property taxes collected from property owners by a taxing authority, such as Anoka County. Anoka County operates with funds from several sources including federal, state, and local property taxes.

Anoka County collects taxes on behalf of your **city**. The amount is determined by your city council.

Anoka County collects taxes on behalf of your **school district**. The amount is determined by your school board.

	(1) Actual 2013 Property Tax	(2) Proposed 2014 Property Tax	Percent Change
<b>TOTAL excluding special assessments</b>	\$3,096.58	\$3,191.62	3.1%
<b>COUNTY:</b>			
GENERAL COUNTY LEVY	\$752.77	\$714.93	
REGIONAL RAIL AUTHORITY	\$13.17	\$14.42	
COUNTY/MUNICIPAL PUBLIC SAFETY RADIO SYSTEM	\$5.93	\$6.12	
<b>YOUR CITY</b>	\$855.31	\$1,023.48	
STATE GENERAL TAX	\$288.35	\$275.07	
<b>YOUR SCHOOL DISTRICT</b>			
VOTER APPROVED LEVIES	\$458.21	\$302.99	
OTHER LOCAL LEVIES	\$306.07	\$463.94	
METROPOLITAN SPECIAL TAXING DISTRICTS	\$27.80	\$26.44	
OTHER SPECIAL TAXING DISTRICTS	\$25.20	\$24.94	
TAX INCREMENT	\$0.00	\$0.00	
FISCAL DISPARITY	\$363.77	\$339.29	

Anoka County and its cities and township share and support a **public safety system**, including the devices used by public safety personnel.

Anoka County collects the **State General Tax** on behalf of the state. It is a levy on commercial, industrial, seasonal, recreational, and unmined iron ore property.

**Special Taxing Districts** include the Metropolitan Council, Metro Transit, Metro Mosquito Control, city and county Housing & Redevelopment Authorities, hospital, watershed, and conservation districts.

**FISCAL DISPARITY:** Individuals who own commercial and/or industrial (C/I) property may also see a line labeled Fiscal Disparity. In 1971 the State of Minnesota adopted the fiscal disparities program to share the metro area's commercial/industrial tax base. Without fiscal disparities, taxes would likely increase in cities with minimal commercial development because the cost of providing services would be shouldered only by that city and county's taxpayers, not spread metro-wide via the fiscal disparities program.

## Impact on Taxpayers

- Following are a table and graphs showing examples of changes in school district portion of property taxes from 2012 to 2015
- Examples include school district taxes only
- All examples are based on a 5.1% decrease in property value over this period
  - Actual changes in value may be more or less than this for any parcel of property

## Impact on Taxpayers

- Examples are for property in the City of Fridley
  - For commercial-industrial property, school taxes in other parts of the district may be slightly higher or lower due to variations in the impact of the Fiscal Disparities Program
- Figures for 2015 are preliminary estimates, based on the best data available now – final figures could change slightly
- Estimates were prepared by Ehlers, the district's financial advisors

**Fridley Public Schools ISD #14**

**Estimated Changes in School Property Taxes, 2012 to 2015**

*Based on -5.1% Cumulative Changes in Property Value from 2012 to 2015 Taxes*

Type of Property	Taxable Market Value for 2012 Taxes	Actual Taxes Payable in 2012	Taxable Market Value for 2013 Taxes	Actual Taxes Payable in 2013	Estimated Market Value for 2014 Taxes	Actual Taxes Payable 2014 Taxes	Estimated Market Value for 2015 Taxes	Estimated Taxes Payable in 2015	Change in Taxes 2012 to 2015	Change in Taxes 2014 to 2015
Residential Homestead	\$105,369	\$559	\$94,832	\$555	\$90,090	\$446	\$100,000	\$511	-\$48	\$65
	158,053	920	142,248	925	135,135	762	150,000	857	-63	95
	210,737	1,282	189,663	1,296	180,180	1,077	200,000	1,202	-80	125
	263,421	1,643	237,079	1,666	225,225	1,393	250,000	1,548	-95	155
	316,106	2,004	284,495	2,037	270,270	1,708	300,000	1,893	-111	185
	421,474	2,724	379,327	2,778	360,360	2,339	400,000	2,584	-140	245
	526,843	3,434	474,158	3,492	450,450	2,954	500,000	3,238	-196	284
	632,211	4,230	568,990	4,277	540,541	3,595	600,000	4,006	-224	411
	842,948	5,823	758,653	5,911	720,721	5,000	800,000	5,544	-279	544
1,053,685	7,416	948,317	7,546	900,901	6,405	1,000,000	7,081	-335	676	
Commercial/ Industrial #	\$105,369	\$642	\$94,832	\$656	\$90,090	\$572	\$100,000	\$647	\$5	\$75
	263,421	1,758	237,079	1,773	225,225	1,550	250,000	1,779	21	229
	526,843	3,717	474,158	3,775	450,450	3,337	500,000	3,800	83	463
	790,264	5,676	711,238	5,777	675,676	5,124	750,000	5,821	145	697
	1,053,685	7,635	948,317	7,778	900,901	6,912	1,000,000	7,842	207	930
Apartments (4 or more units)	\$210,737	\$1,593	\$189,663	\$1,634	\$180,180	\$1,405	\$200,000	\$1,537	-\$56	\$132
	421,474	3,186	379,327	3,269	360,360	2,810	400,000	3,074	-112	264
	632,211	4,779	568,990	4,903	540,541	4,214	600,000	4,611	-168	397

Tax Rates					
Tax Capacity Rate		43.862	50.112	49.552	48.383
Referendum Market Value Rate		0.20759	0.23533	0.16027	0.16376

# Figures are for property in the City of Fridley. For commercial-industrial property, school taxes may be slightly different in other municipalities in the district, due to the varying impact of the Fiscal Disparities Program.

**General Notes**

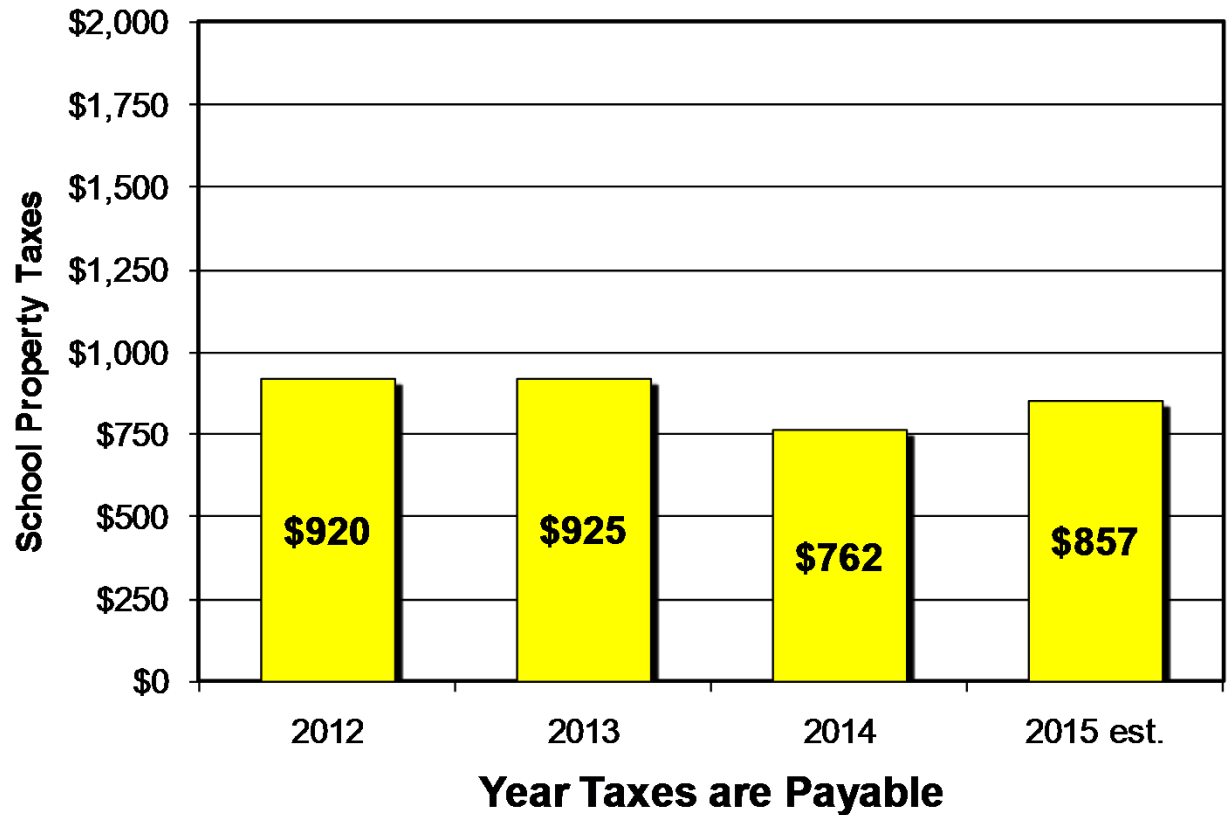
1. The figures in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. All estimates for 2015 taxes are preliminary estimates, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of -10.0% from 2012 to 2013 taxes, -5.0% from 2013 to 2014, and 11.0% from 2014 to 2015.

# Fridley Public Schools ISD #14

## Estimated Changes in School Property Taxes, 2012 to 2015

*Based on -5.1% Cumulative Changes in Property Value from 2012 to 2015 Taxes*

**Example 1: \$150,000\* Residential Homestead Property**



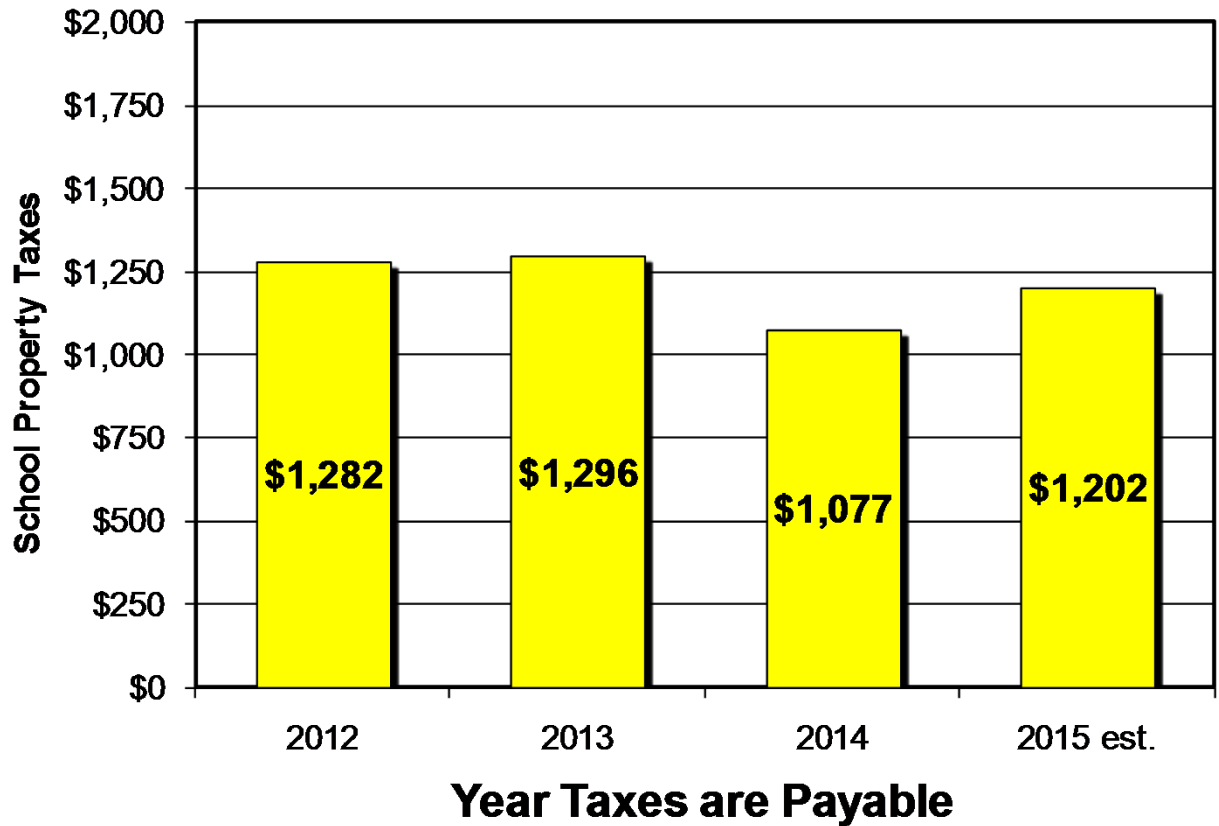
\* The value shown in the title of the chart is the estimated market value for taxes payable in 2015. Taxes are calculated based on changes in market value of -10.0% from 2012 to 2013 taxes, -5.0% from 2013 to 2014, and 11.0% from 2014 to 2015.

# Fridley Public Schools ISD #14

## Estimated Changes in School Property Taxes, 2012 to 2015

*Based on -5.1% Cumulative Changes in Property Value from 2012 to 2015 Taxes*

**Example 2: \$200,000\* Residential Homestead Property**



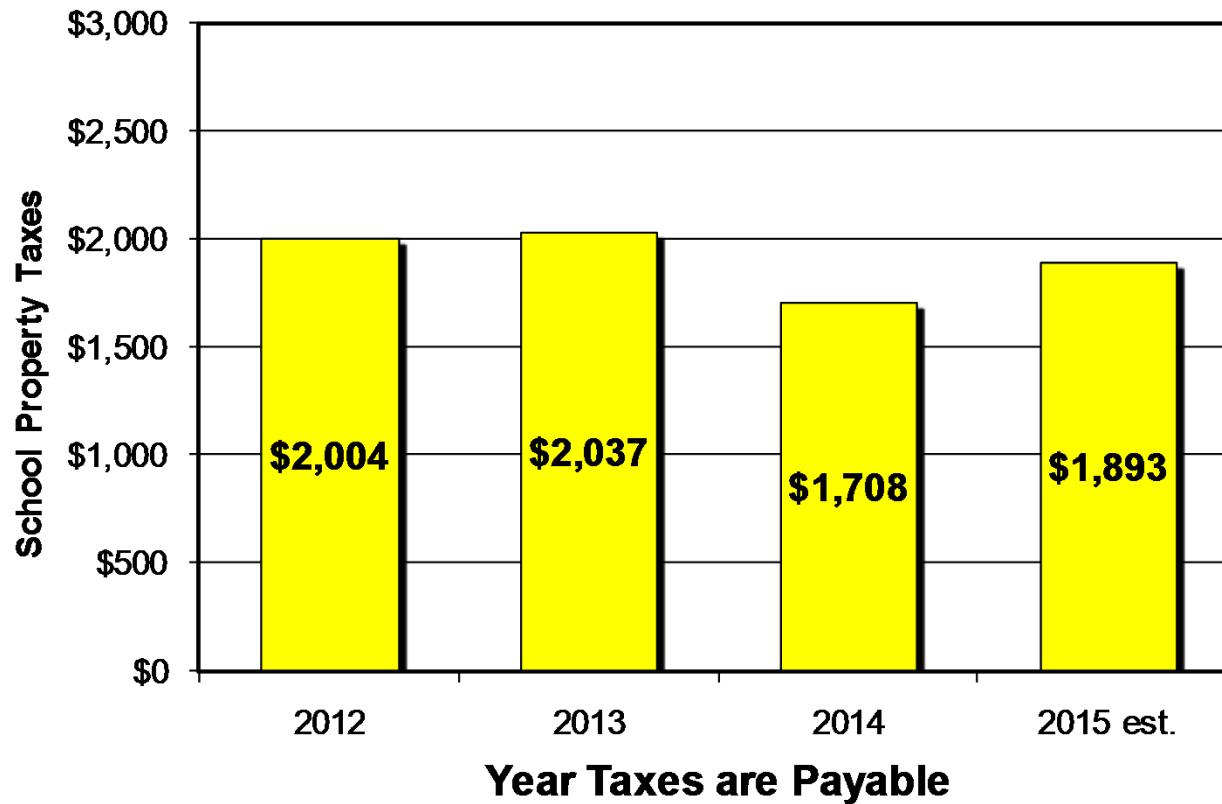
\* The value shown in the title of the chart is the estimated market value for taxes payable in 2015. Taxes are calculated based on changes in market value of -10.0% from 2012 to 2013 taxes, -5.0% from 2013 to 2014, and 11.0% from 2014 to 2015.

# Fridley Public Schools ISD #14

## Estimated Changes in School Property Taxes, 2012 to 2015

*Based on -5.1% Cumulative Changes in Property Value from 2012 to 2015 Taxes*

**Example 3: \$300,000\* Residential Homestead Property**



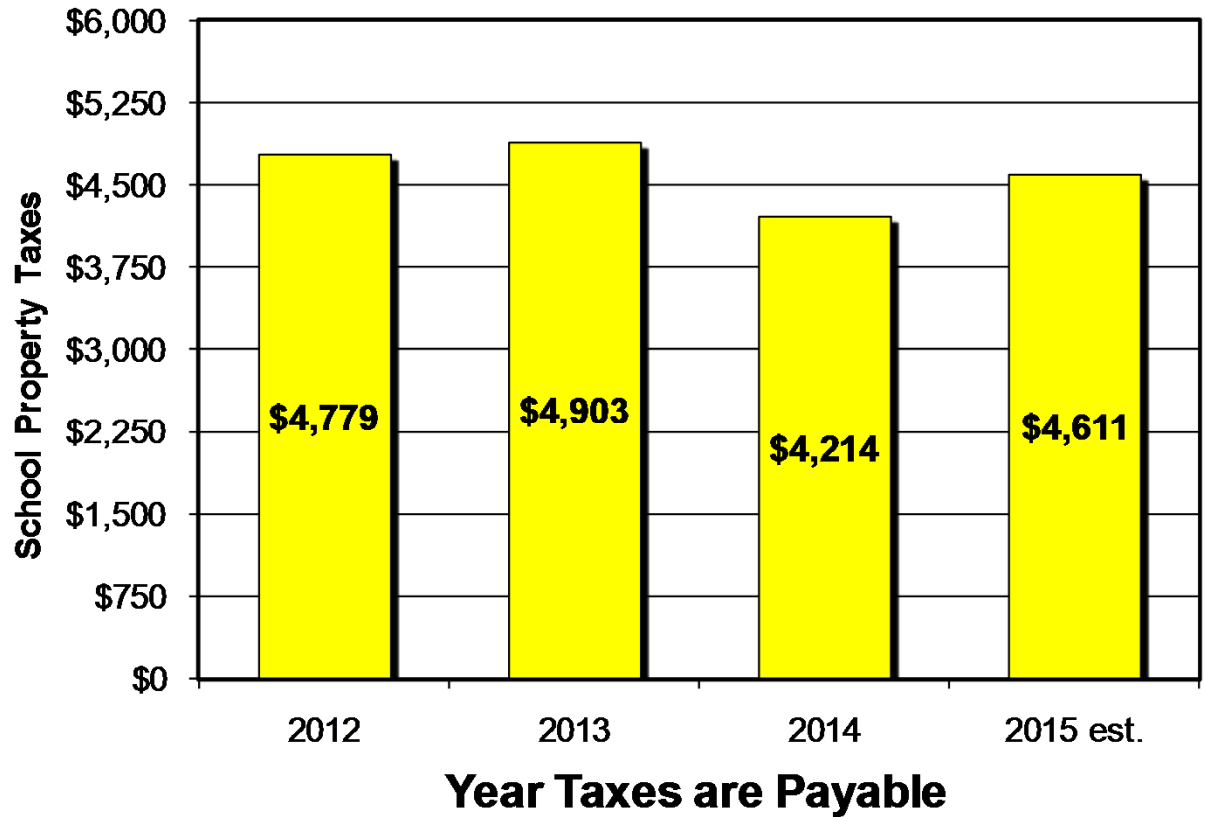
\* The value shown in the title of the chart is the estimated market value for taxes payable in 2015. Taxes are calculated based on changes in market value of -10.0% from 2012 to 2013 taxes, -5.0% from 2013 to 2014, and 11.0% from 2014 to 2015.

# Fridley Public Schools ISD #14

## Estimated Changes in School Property Taxes, 2012 to 2015

*Based on -5.1% Cumulative Changes in Property Value from 2012 to 2015 Taxes*

**Example 4: \$600,000\* Apartments Property**



\* The value shown in the title of the chart is the estimated market value for taxes payable in 2015. Taxes are calculated based on changes in market value of -10.0% from 2012 to 2013 taxes, -5.0% from 2013 to 2014, and 11.0% from 2014 to 2015.

## Factors Causing Changes from 2014 to 2015

Many factors can cause tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors



# **Public Comments and Questions**