

Fridley Public Schools ISD #14 Public Hearing for Taxes Payable in 2016

December 15, 2015

Presented by: Matthew Hammer, Director of Finance



A World-Class Community of Learners



Agenda for Hearing

1. State Funding of Schools
2. Current District's Budget and Prior Year Actual Financial Results
3. District's Proposed 2016 Tax Levy
4. Public Comments and Questions

School funding Highly Regulated by the state

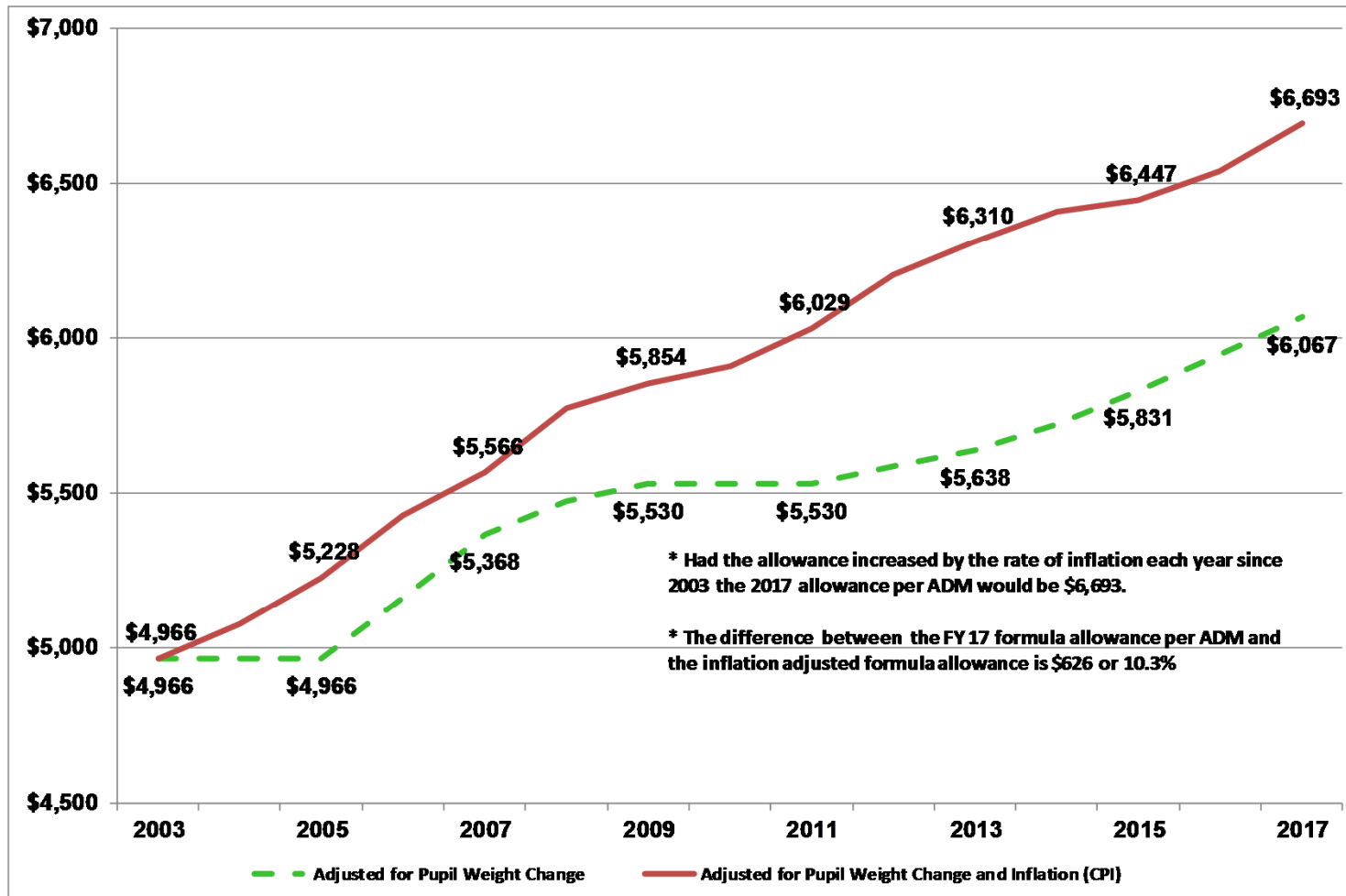
State sets formulas which determine revenue:

- Formulas are driven mostly by pupil counts
- State sets property tax policy for local schools
- State sets property tax levy caps

State authorizes school board to submit referendums for operating and capital needs to voters for approval

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2017
 Adjusted for Pupil Weight Change and Inflation (CPI)
 2015 End of Session



Source: MDE General Education Formula Allowance, 2003 - 2017

Basic General Education Formula Lags Inflation

- Since 2003, the state General Education Revenue formula has not kept pace with inflation
- For FY 2016 and FY 2017, Legislature approved an increase of 2% per year
 - \$117 per pupil unit in FY 2016
 - An additional \$119 for FY 2017
- Per-pupil allowance for Fiscal Year 2017 would need to increase by another \$626 (10.3%) to have kept pace with inflation

Result: A Growing Reliance on Referendums

- Other funding sources (e.g., special education, capital funds) also have not kept pace with inflation
 - Fiscal Year 2013-14 special education programs were underfunded by an average of 40% or \$5,222 per special education student
 - Funding sources for regular program operations are used to subsidize costs for special education
- Primary options for districts to bridge funding gap are to cut budgets or increase referendum revenue; most districts have done both

Operating Referendum Trends

Average operating referendum authority per pupil is increasing

- For Fiscal Year 1992-93, 65% of districts had referendum revenue averaging \$332 per pupil
- For Fiscal Year 2015-16, 99.4% of districts have referendum revenue plus local optional revenue authority averaging \$1,141 per pupil
 - 19.2% of general education formula allowance
 - Of this amount, \$758 is board approved or voter approved operating referendum, and \$383 is Local Optional Revenue

Budget Information

- 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
 - Trust
 - OPEB* Trust
 - OPEB* Debt Service

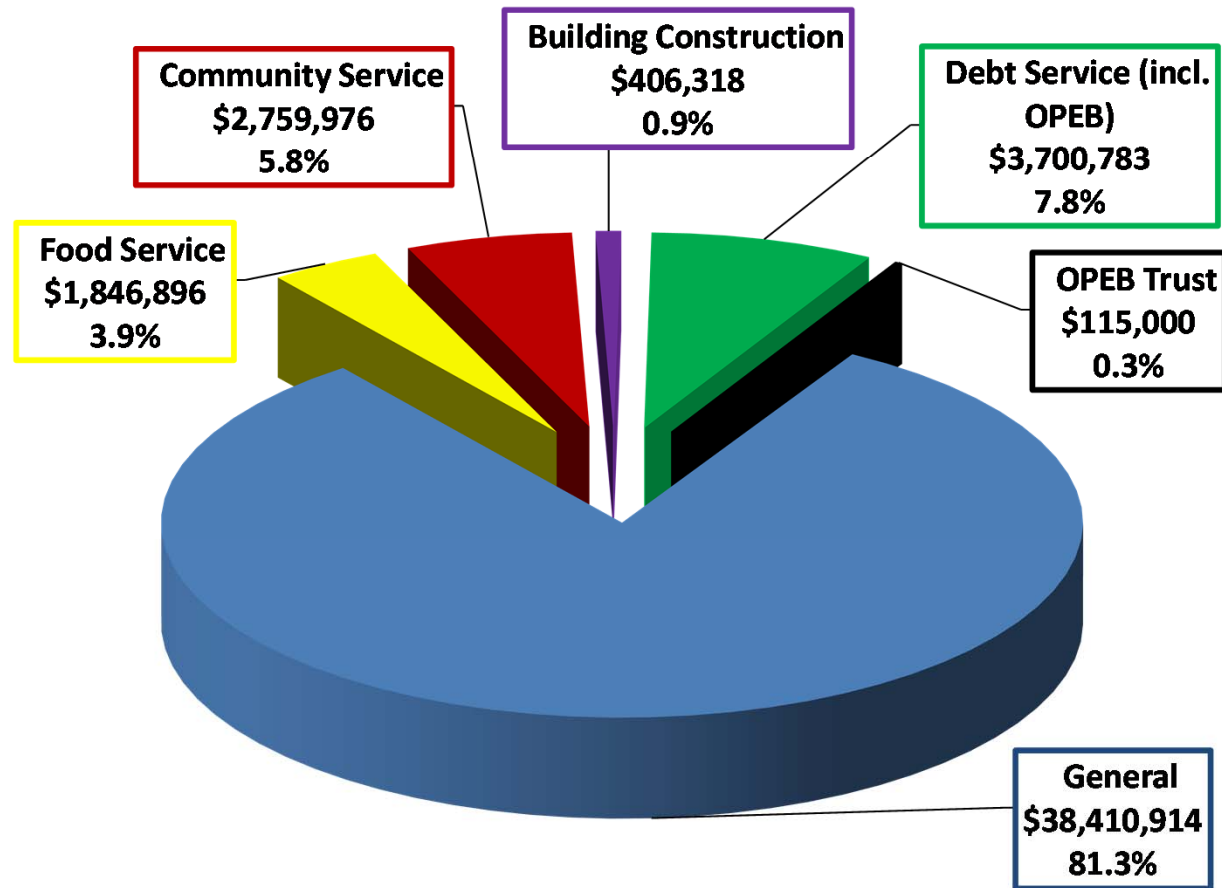
* Other Post-Employment Benefits

**Fridley Public Schools ISD #14
District Revenues and Expenditures
Budget for FY 2015 and FY 2016**

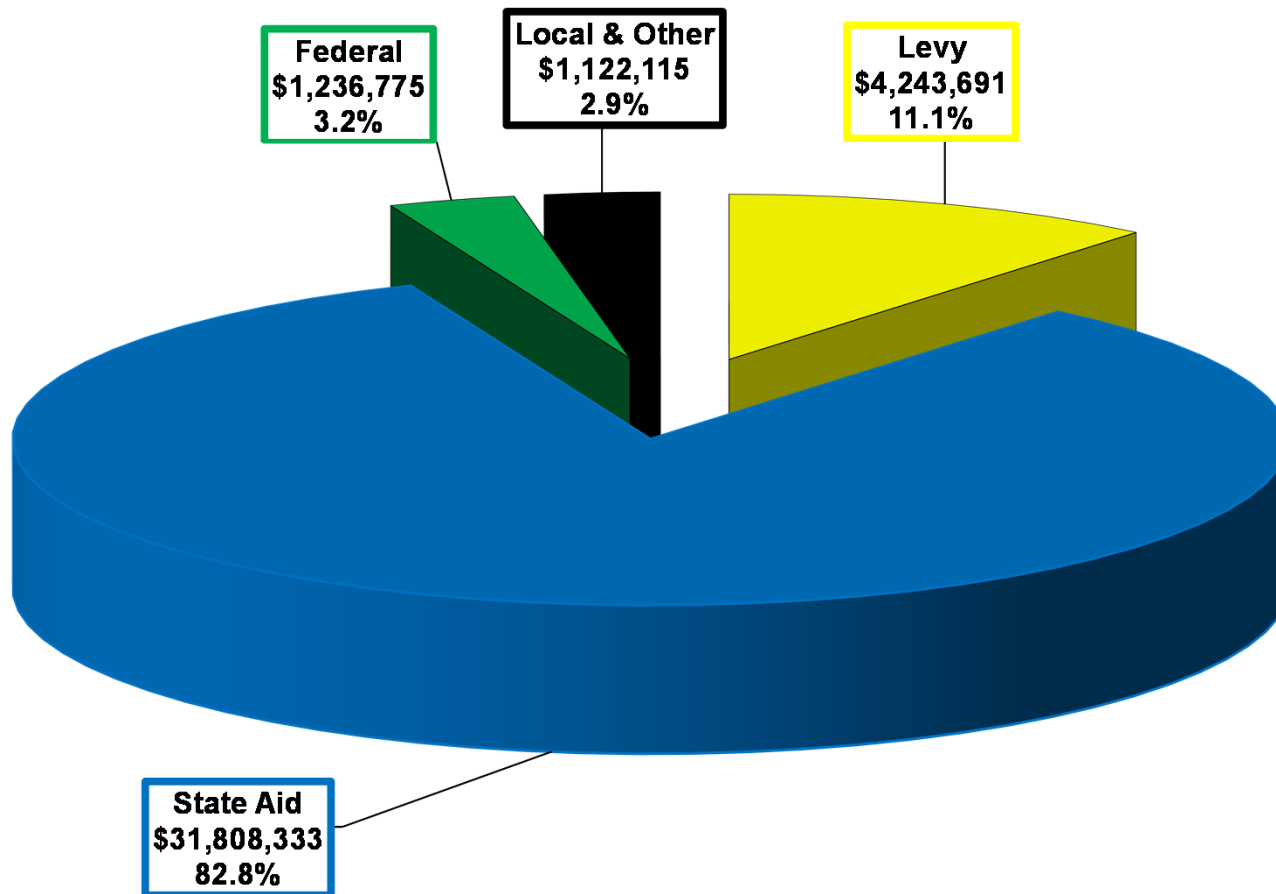
FUND	FY 2015 BEGINNING FUND BALANCES	FY 2015 ACTUAL REVENUES AND TRANSFERS IN	FY 2015 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2015 ACTUAL FUND BALANCES	FY 2016 BUDGET REVENUES AND TRANSFERS IN	FY 2016 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2016 PROJECTED FUND BALANCES
General/Restricted	\$313,663	\$6,720,574	\$6,809,931	\$224,306	\$7,555,022	\$7,714,298	\$65,030
General/Other	\$1,553,457	\$31,477,627	\$29,771,199	\$3,259,885	\$30,855,892	\$30,842,992	\$3,272,785
Food Service	\$156,971	\$1,885,421	\$1,725,694	\$316,698	\$1,846,896	\$1,843,709	\$319,885
Community Service	(\$199,670)	\$2,773,099	\$2,637,645	(\$64,216)	\$2,759,976	\$2,742,973	(\$47,213)
Building Construction	\$810,308	\$423,254	\$509,579	\$723,983	\$406,318	\$801,733	\$328,568
Debt Service	\$404,930	\$2,758,769	\$2,731,275	\$432,424	\$3,090,476	\$2,873,075	\$649,825
Internal Service Fund	\$184,792			\$184,238			\$479,238
OPEB* Trust	\$4,598,376	\$183,465	\$226,199	\$4,555,642	\$115,000	\$200,250	\$4,470,392
OPEB* Debt Service	\$62,973	\$589,317	\$564,578	\$87,712	\$610,307	\$562,578	\$135,441
Total All Funds	\$7,885,800	\$46,811,526	\$44,976,100	\$9,720,672	\$47,239,887	\$47,581,608	\$9,673,951

* Other Post Employment Benefits

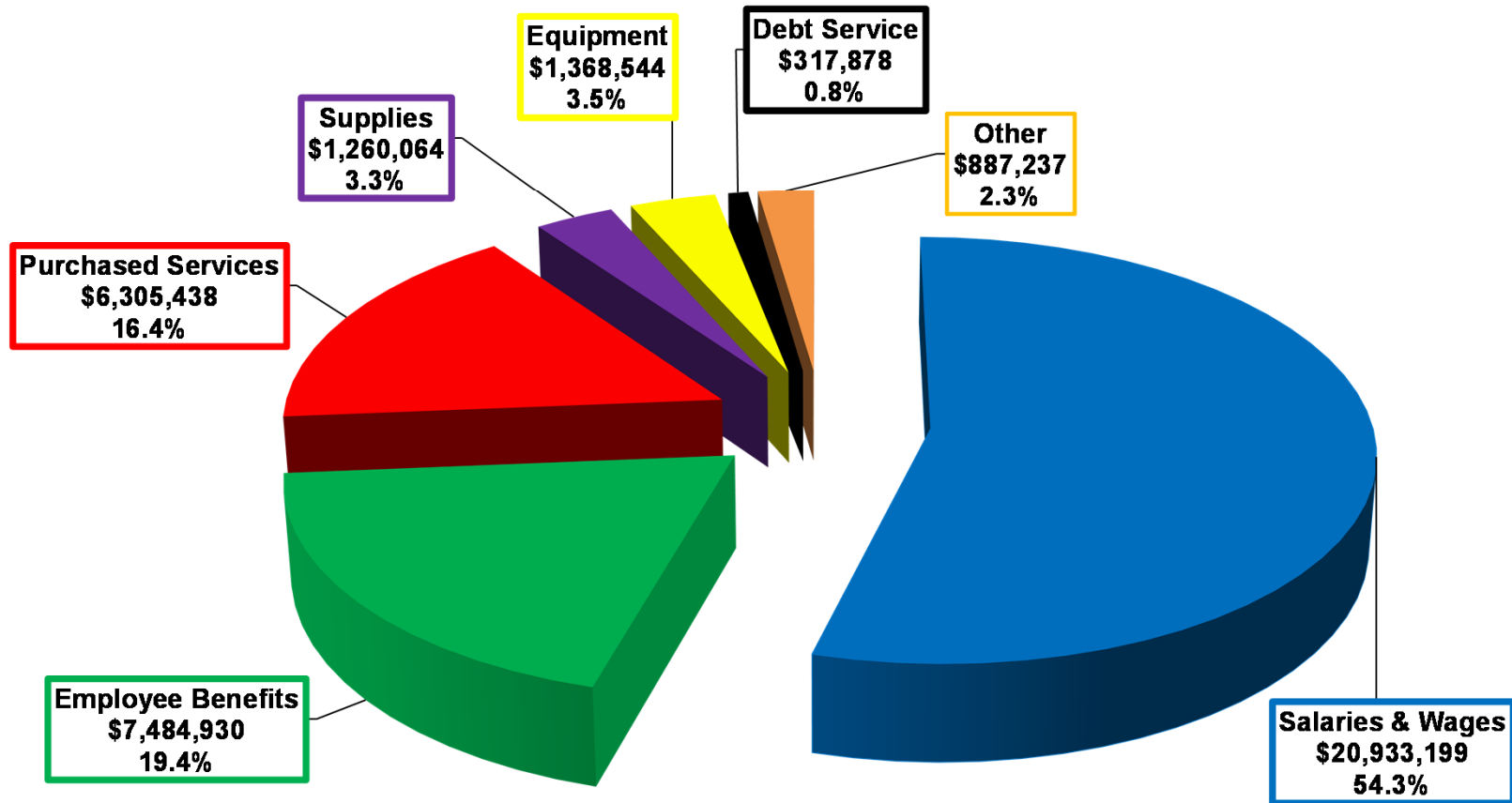
**Fridley Public Schools ISD #14
Revenue - All Funds
2015-16 Budget \$47,239,887**



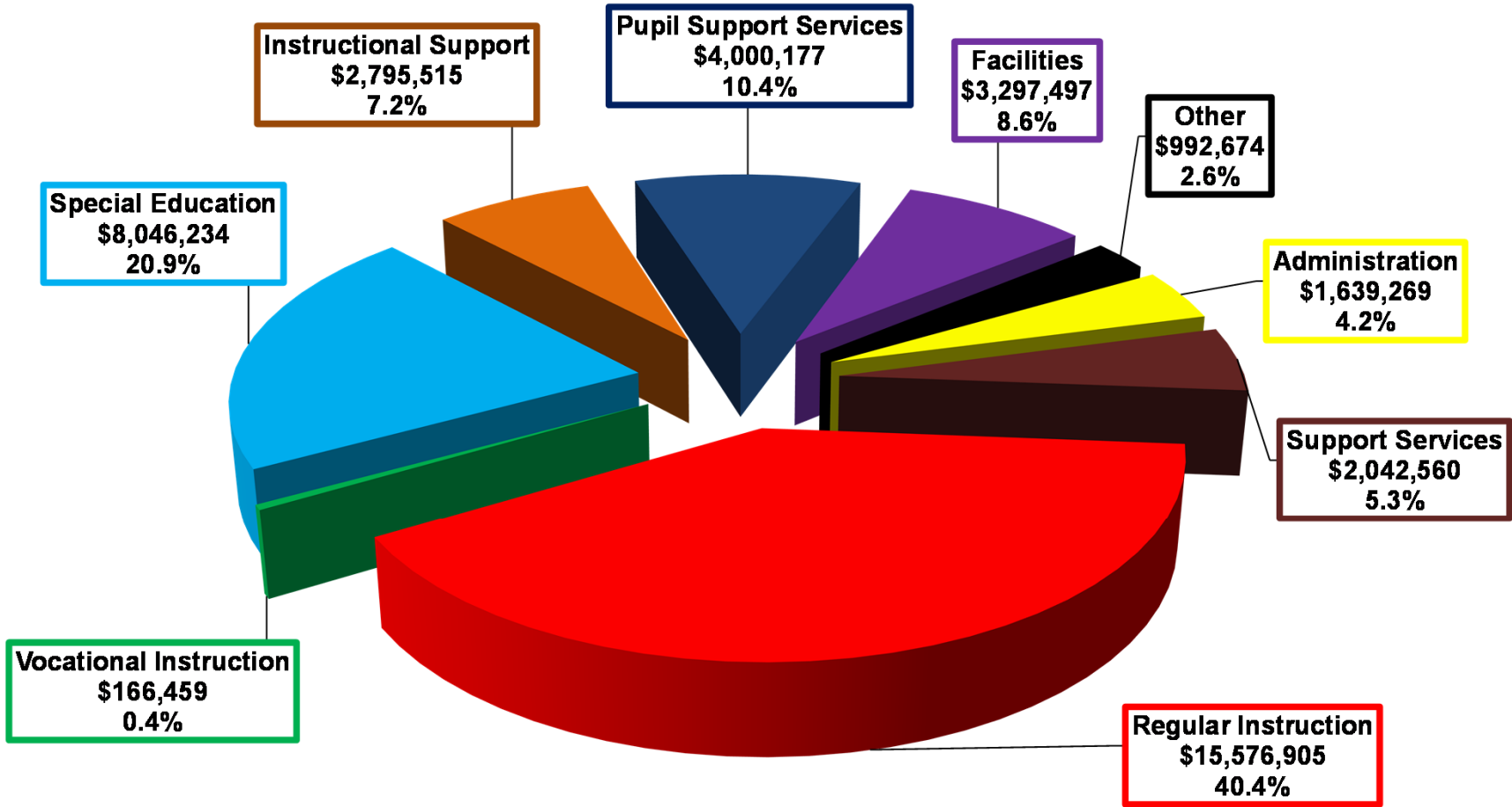
**Fridley Public Schools ISD #14
General Fund Revenue
2015-16 Budget \$38,410,914**



**Fridley Public Schools ISD #14
General Fund Expenditures by Object
FY 2015-16 Budget \$38,557,290**



**Fridley Public Schools ISD #14
General Fund Expenditures by Program
2015-16 Budget \$38,557,290**



Overview of Proposed Levy Payable in 2016

- Total 2016 proposed property tax levy is an increase from final levy in 2015 of \$686,433, or 8.15%
- Includes net increase from proposed levy approved by the Board in September, due to the following
 - On November 3, District voters approved a renewal of operating referendum authority and a bond referendum of \$27.5 million
 - Deferral of \$13,000 in current year abatement levies to PAY 17

Fridley Public Schools ISD #14

Comparison of Proposed Tax Levy Payable in 2016 to Actual Levy Payable in 2015

Fund	Levy Category	Actual Levy Payable in 2015	Proposed Levy Payable in 2016	\$ Change	% Change
General Fund					
	Referendum-Voter Approved	\$730,372	\$315,787	(\$414,584)	
	Referendum-Board Approved	0	426,366	426,366	
	Local Optional	985,093	1,011,358	26,266	
	Equity	409,770	386,180	(23,589)	
	Student Achievement	39,553	41,969	2,416	
	Q-Comp	168,866	193,274	24,408	
	Integration	183,697	192,969	9,273	
	Safe Schools	150,329	154,224	3,895	
	Operating Capital	197,212	226,357	29,145	
	Health and Safety	123,543	69,991	(53,551)	
	Deferred Maintenance	128,598	(0)	(128,599)	
	Long Term Facilities Maintenance	0	273,000	273,000	
	Instructional Lease	404,200	378,688	(25,512)	
	Capital Project/Technology Referendum	634,518	707,666	73,148	
	Abatements	136,827	(39,829)	(176,656)	
	Other	51,120	60,072	8,952	
	Total, General Fund	\$4,343,697	\$4,398,074	\$54,377	1.25%
Community Service Fund					
	Basic Community Education	\$112,666	\$120,409	\$7,743	
	Early Childhood Family Education	44,659	47,477	2,818	
	Home Visiting	1,816	1,824	8	
	School-Age Child Care	190,399	190,711	312	
	Abatements	24,881	883	(23,999)	
	Total, Community Service Fund	\$374,422	\$361,304	(\$13,118)	-3.50%
Debt Service Funds					
	Voter Approved Debt Service	\$1,101,555	\$2,069,257	\$967,702	
	Other Debt Service	1,911,499	1,677,107	(234,392)	
	Other Post Employment Benefits	590,234	592,597	2,363	
	Reduction for Debt Excess	(96,291)	(19,201)	77,089	
	Abatements	193,785	26,197	(167,588)	
	Total, Debt Service Funds	\$3,700,783	\$4,345,957	\$645,174	17.43%
Total Levy, All Funds		\$8,418,902	\$9,105,335	\$686,433	8.15%
Subtotal by Truth in Taxation Categories					
	Voter Approved Levies	\$2,595,566	\$3,111,632	\$516,067	
	Other Levies	\$5,823,337	\$5,993,703	\$170,367	
	Total	\$8,418,902	\$9,105,335	\$686,433	8.15%

Explanation of Levy Changes

- Category: Referendum
- Change: Voter Approved -\$414,584
Board Approved +426,366
- Use of funds: General operating expenses
- Reason for changes
 - Districts are authorized up to \$300 per pupil unit in referendum revenue from a board approved levy; Board renewed \$300 of expiring authority
 - Remaining authority was renewed by voters as part of November 3, 2015 election

Explanation of Levy Changes

- Categories: Health & Safety, Deferred Maintenance, Long Term Facilities Maintenance (LTFM), Other Debt Service
- Change: General Fund +\$90,850
Debt Service Fund -\$234,392
- Use of funds: Facilities maintenance
- Reason for net decrease
 - New category of revenue created by legislation in 2015
 - LTFM replaces previous Health & Safety, Deferred Maintenance, and Alternative Facilities Programs
 - Health & Safety levy for Pay 2016 is due to prior year adjustments
 - Minnesota Department of Education has allocated the new LTFM aid of \$312,617 to debt service payments on existing alternative facilities bonds (included within the “other debt service” category)

Explanation of Levy Changes

- Category: Abatements
- Change: General Fund -\$176,656
Community Service Fund -\$23,999
Debt Service Fund -\$167,588
- Use of funds: General operating expenses
- Reason for decreases
 - Pay 2016 abatement adjustments calculated by Anoka County are less than Pay 2015 adjustments
 - Pay 2016 General Fund abatements in the amount of \$13,000 are being deferred to taxes payable in 2017; will be offset by other reductions at that time

Explanation of Levy Changes

- Category: Voter Approved Debt Service
- Change: +\$967,702
- Use of funds: Payments on bonds
- Reason for increase
 - On November 3, District voters approved a \$27.5 million bond referendum (question 2 on the ballot)
 - Required debt service levy for estimated FY 2016-17 bond payment is \$959,039
 - Increase in payments for new bonds will be partially offset by reductions in debt service levies for existing bonds, due to aid received through new LTFM program

Impact on Taxpayers

- Following are a table and graphs showing examples of changes in the school district portion of property taxes from 2013 to 2016
 - Examples include school district taxes only
 - All examples are based on a 5.5% increase in property value over this period
 - Actual changes in value may be more or less than this for any parcel of property
 - Figures are intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties

Impact on Taxpayers

- Examples for property in City of Fridley
 - For commercial-industrial property, school taxes in other parts of district may be slightly higher or lower, due to variations in impact of Fiscal Disparities Program
- Figures for 2016 are preliminary estimates, based on best data available now – final figures could change slightly
- Estimates were prepared by Ehlers, the district's financial advisors

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Estimated Changes in School Property Taxes, 2013 to 2016

Based on 5.5% Cumulative Changes in Property Value from 2013 to 2016 Taxes

Type of Property	Estimated Market Value for 2013 Taxes	Actual Taxes Payable in 2013	Estimated Market Value for 2014 Taxes	Actual Taxes Payable in 2014	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	Estimated Market Value for 2016 Taxes	Estimated Taxes Payable in 2016	Change in Taxes 2013 to 2016	Change in Taxes 2015 to 2016*
Residential Homestead	\$94,832	\$555	\$90,090	\$446	\$100,000	\$511	\$100,000	\$551	-\$4	\$40
	132,764	851	126,126	699	140,000	788	140,000	853	2	65
	189,663	1,296	180,180	1,077	200,000	1,203	200,000	1,306	10	103
	237,079	1,666	225,225	1,393	250,000	1,549	250,000	1,681	15	132
	284,495	2,037	270,270	1,708	300,000	1,894	300,000	2,059	22	165
	379,327	2,778	360,360	2,339	400,000	2,586	400,000	2,812	34	226
	474,158	3,492	450,450	2,954	500,000	3,240	500,000	3,524	32	284
	568,990	4,277	540,541	3,595	600,000	4,009	600,000	4,364	87	355
	758,653	5,911	720,721	5,000	800,000	5,547	800,000	6,045	134	498
948,317	7,546	900,901	6,405	1,000,000	7,085	1,000,000	7,725	179	640	
Commercial/ Industrial #	\$94,832	\$693	\$90,090	\$579	\$100,000	\$621	\$100,000	\$675	-\$18	\$54
	237,079	1,878	225,225	1,568	250,000	1,706	250,000	1,858	-20	152
	474,158	4,003	450,450	3,377	500,000	3,641	500,000	3,974	-29	333
	711,238	6,128	675,676	5,186	750,000	5,577	750,000	6,088	-40	511
	948,317	8,254	900,901	6,995	1,000,000	7,512	1,000,000	8,203	-51	691
Apartments (4 or more units)	\$94,832	\$817	\$90,090	\$702	\$100,000	\$769	\$100,000	\$840	\$23	\$71
	568,990	4,903	540,541	4,214	600,000	4,614	600,000	5,042	139	428
	948,317	8,172	900,901	7,024	1,000,000	7,690	1,000,000	8,403	231	713

Tax Rates					
Tax Capacity Rate		50.112	49.552	48.422	54.219
Referendum Market Value Rate		0.23533	0.16027	0.16375	0.16256

* Includes additional taxes for the renewal of the operating referendum authority and the bond referendum approved by voters on November 3, 2015.

For commercial-industrial property, school taxes may be slightly different in other municipalities in district, due to varying impact of Fiscal Disparities Program.

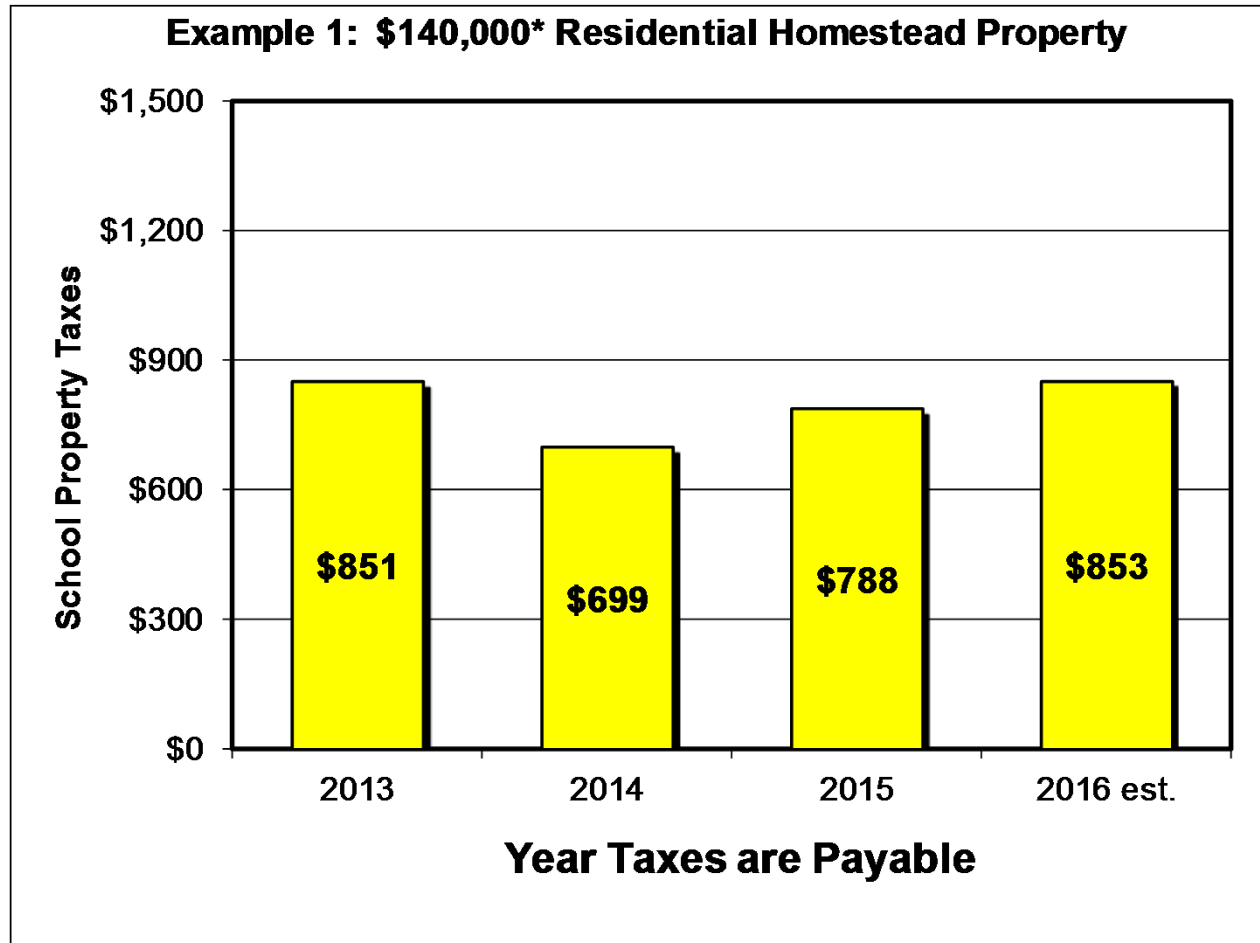
General Notes

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 2016 taxes are preliminary estimates, based on the best data available as of the date above.
3. Taxes are based on changes in estimated market value of -5.0% from 2013 to 2014 taxes, 11.0% from 2014 to 2015, and 0.0% from 2015 to 2016.

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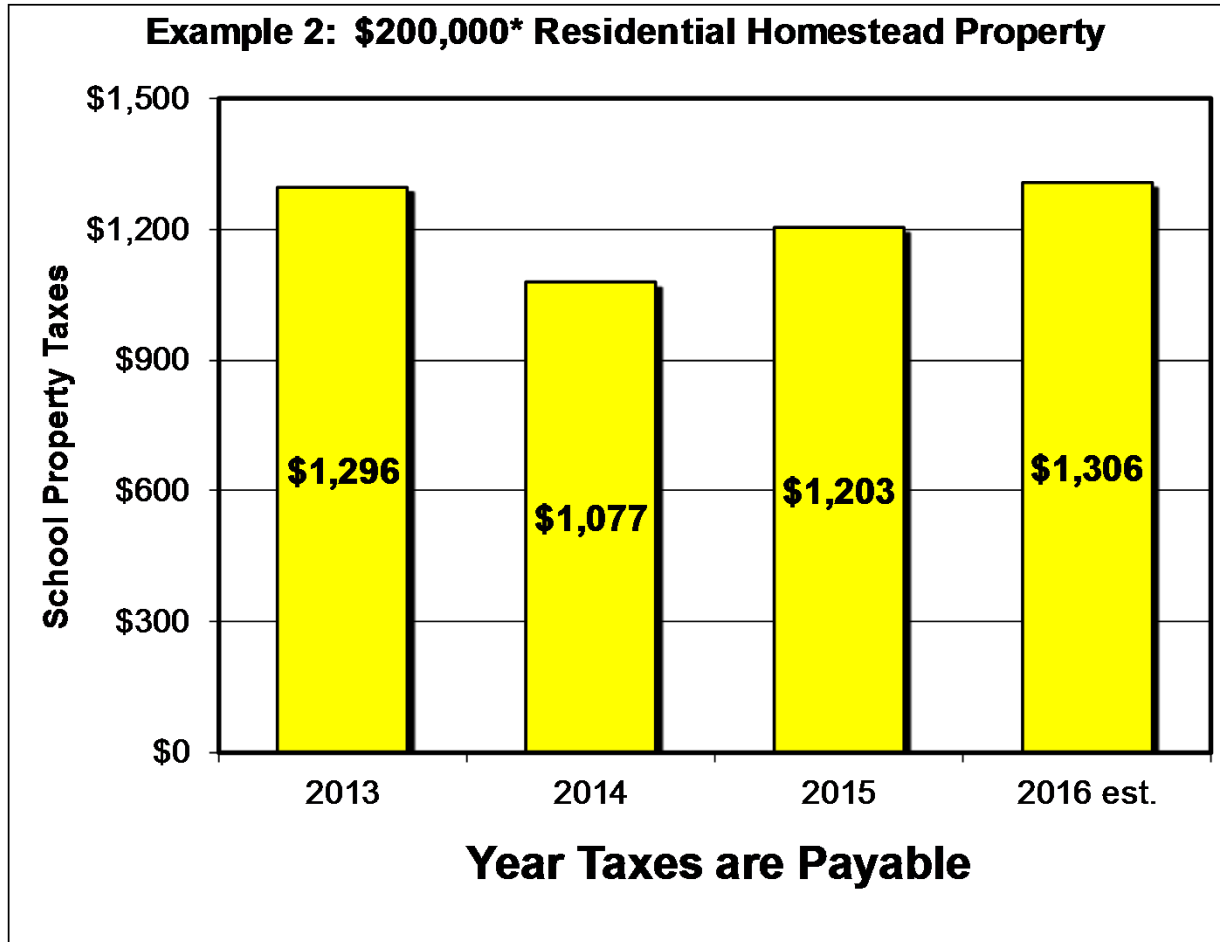
* The value shown in the title of the chart is the estimated market value for taxes payable in 2016. Taxes are calculated based on changes in market value of 4.0% from 2013 to 2014 taxes, 11.0% from 2014 to 2015 and 0.0% from 2015 to 2016.

** The darker portion of the 2016 bar represents the estimated taxes associated with the renewal of operating referendum authority and the bond referendum approved by voters on November 3, 2015.

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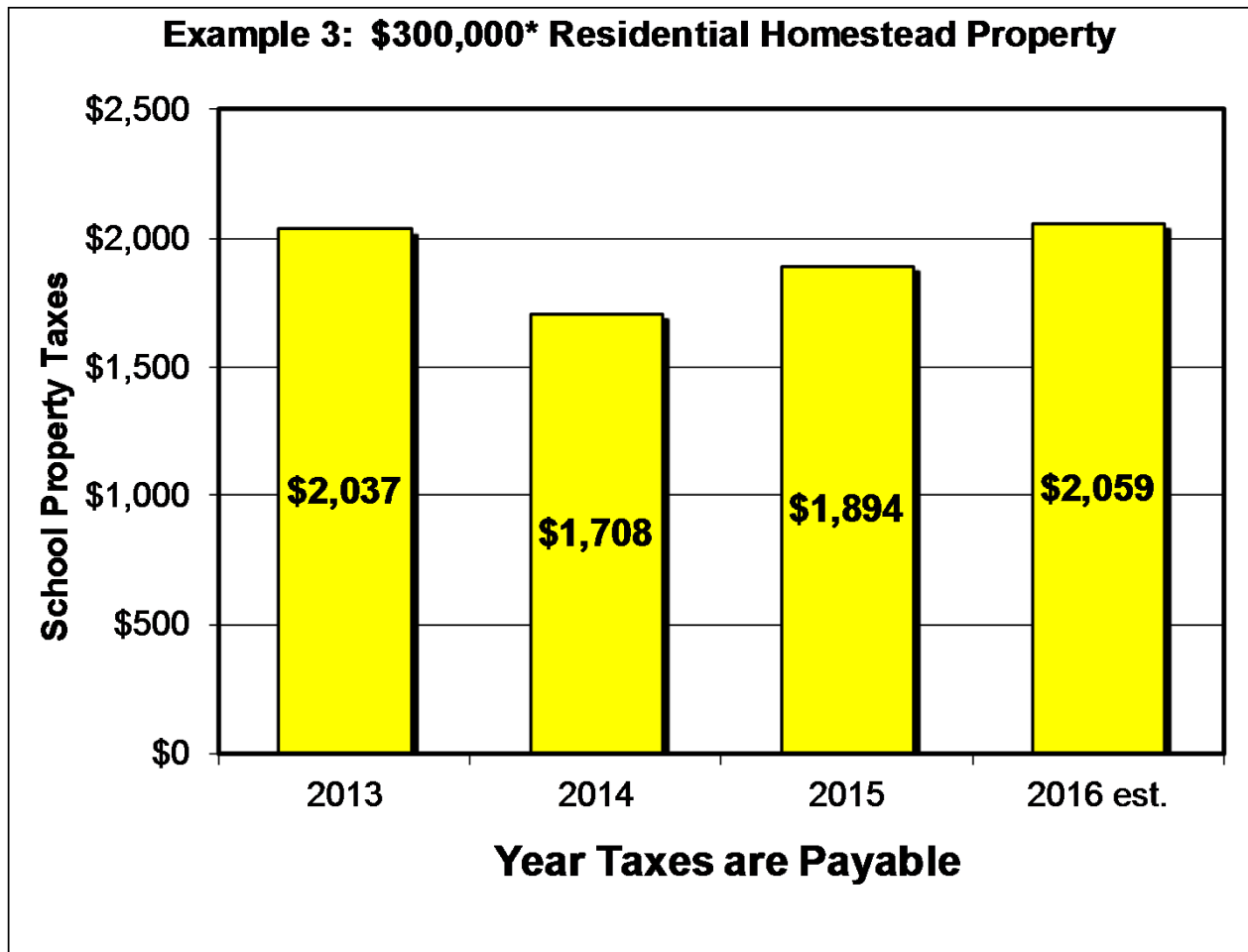
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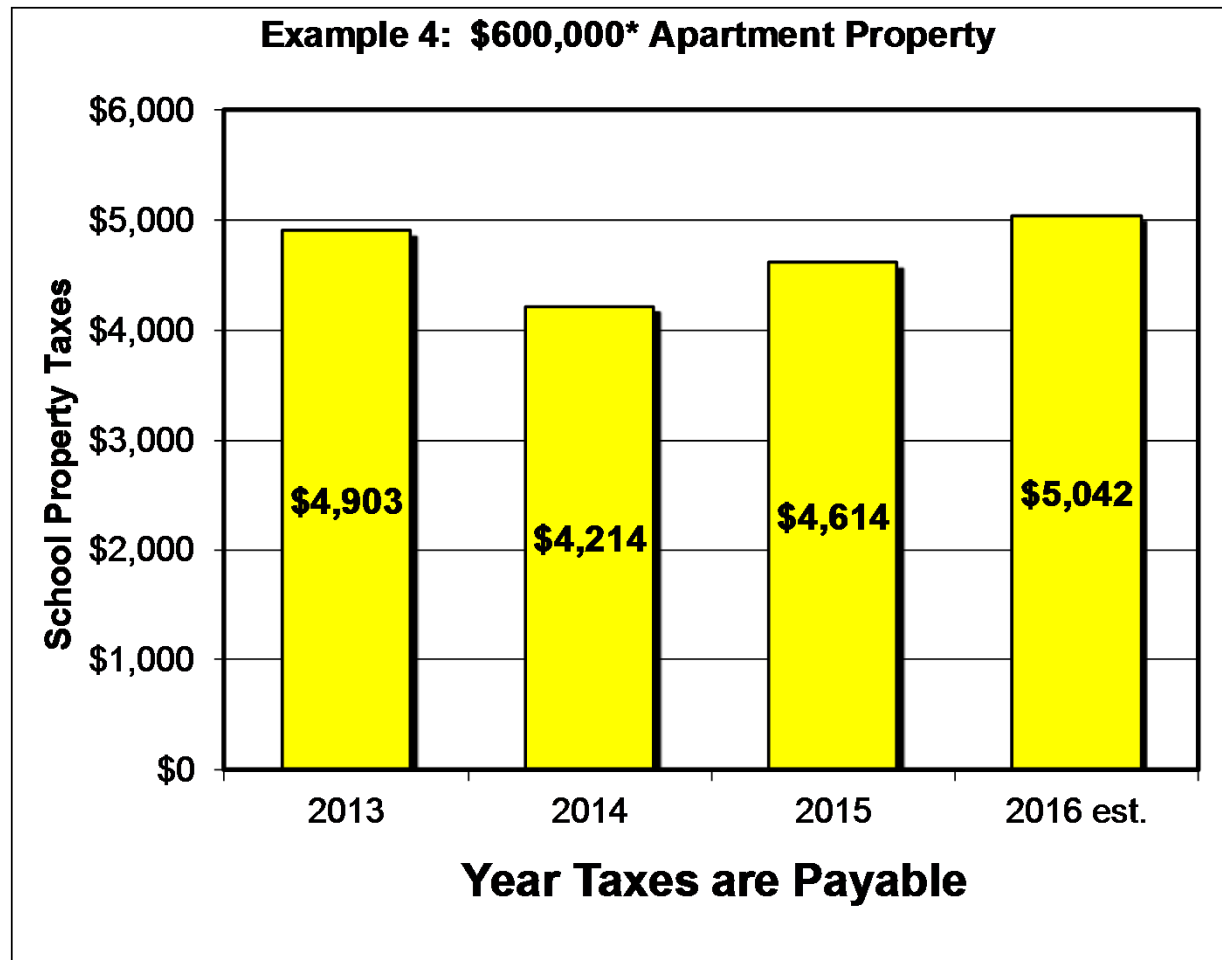
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Impact on Taxpayers

Many factors can cause the 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



Next Steps

- School Board will accept public comments and questions on proposed tax levy
- School Board will certify final 2016 tax levy



Public Comments and Questions