

Fridley Public Schools ISD #14 Public Hearing for Taxes Payable in 2017

December 20, 2016

Presented by: Matthew Hammer, Director of Finance



A World-Class Community of Learners

Agenda for Hearing

1. State Funding of Schools
2. Information on District's Budget
3. District's Proposed 2017 Tax Levy
4. Public Comments and Questions

School funding is 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

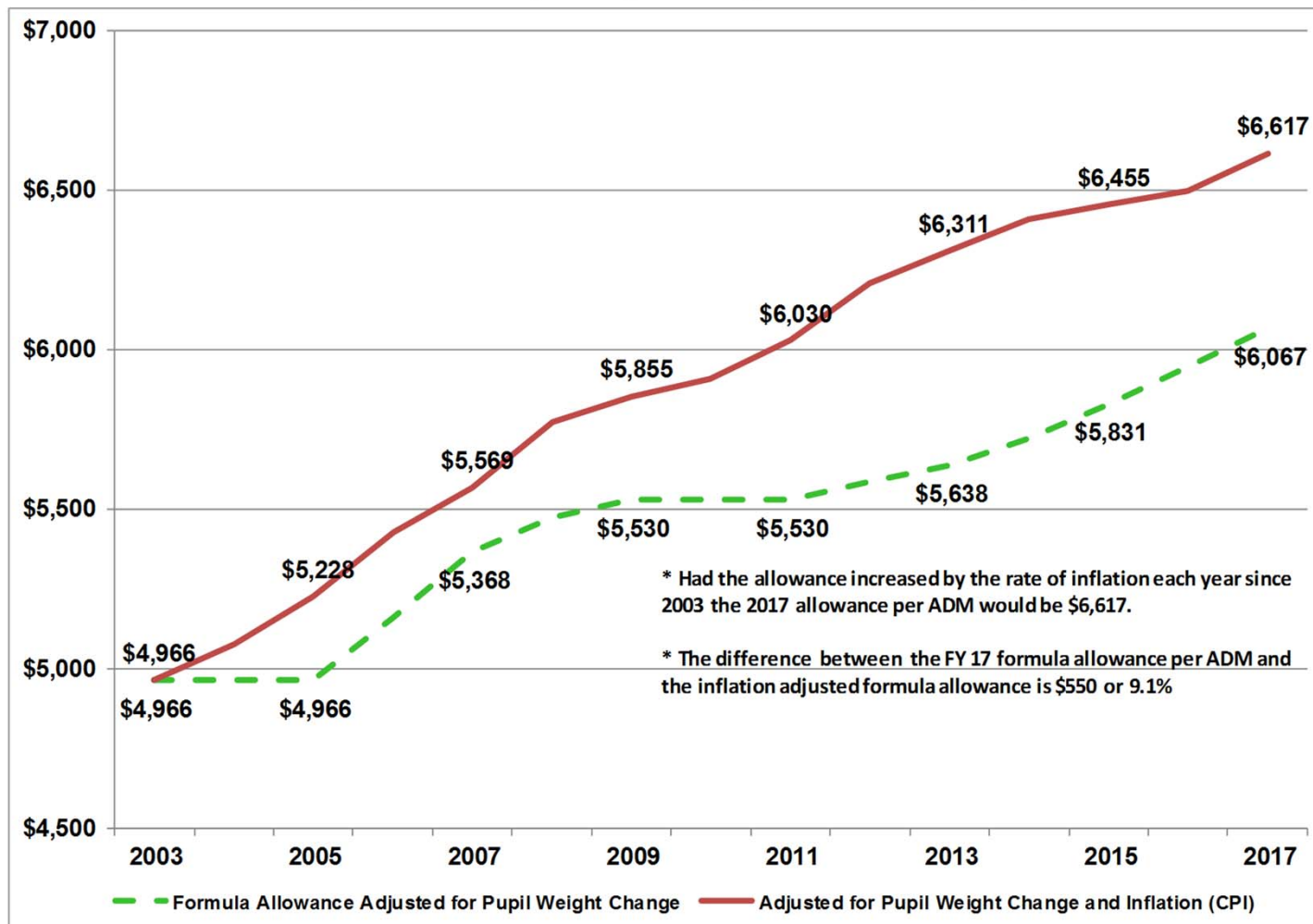
State authorizes school board to submit referendums for operating and capital needs to voters for approval

Basic General Education Formula Lags Inflation

- Since 2003, State General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2015-16 and Fiscal Year 2016-17, Legislature approved an increase of 2% per year
 - \$117 per pupil unit in FY 2015-16
 - An additional \$119 for FY 2016-17
- Per-pupil allowance for Fiscal Year 2016-17 would need to increase by another \$550 (9.1%) to have kept pace with inflation

Basic General Education Formula Lags Inflation

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



Source: MDE July 2016 Inflation Estimates

Under Funding of Special Education Costs

- MDE reports cost of providing special education programs was 40% underfunded on average, requiring a use of \$679 per pupil from regular program resources to support a program mandated by state and federal law
- 2015 Legislature increased special education funding for 16-17 Biennium by approximately \$180 million, reducing need to subsidize special education with regular program resources from \$679 to \$507 per pupil
- Primary options to bridge special education funding gap are to cut regular program budgets or increase referendum revenue; most districts have done both

Result: Growing Dependence on Operating Referendum Revenue

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 2016-17, all 331 districts have referendum revenue and/or local optional revenue authority averaging \$1,262 per pupil
 - 20.8% of general education formula allowance
 - Of \$1,262 total, \$853 is board approved or voter approved operating referendum, and \$409 is Local Optional Revenue
 - Total authority for Fridley Public Schools is \$911 compared to the state average of \$1,262

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
 - Internal Service Fund
 - OPEB* Trust
 - OPEB* Debt Service

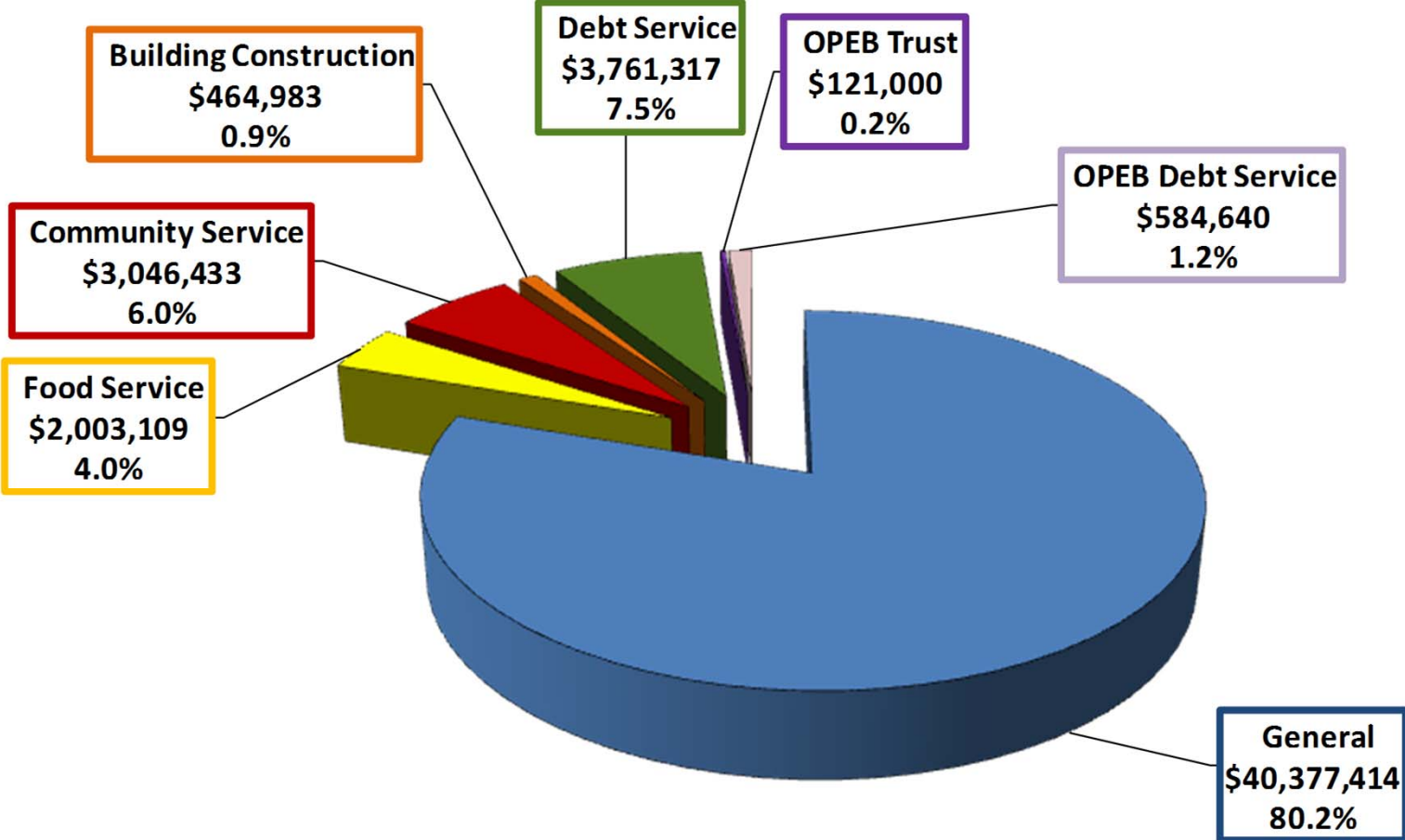
* Other Post-Employment Benefits

Fridley Public Schools ISD #14
District Revenues and Expenditures
Actual for Fiscal Year 2015-16, Budget for Fiscal Year 2016-17

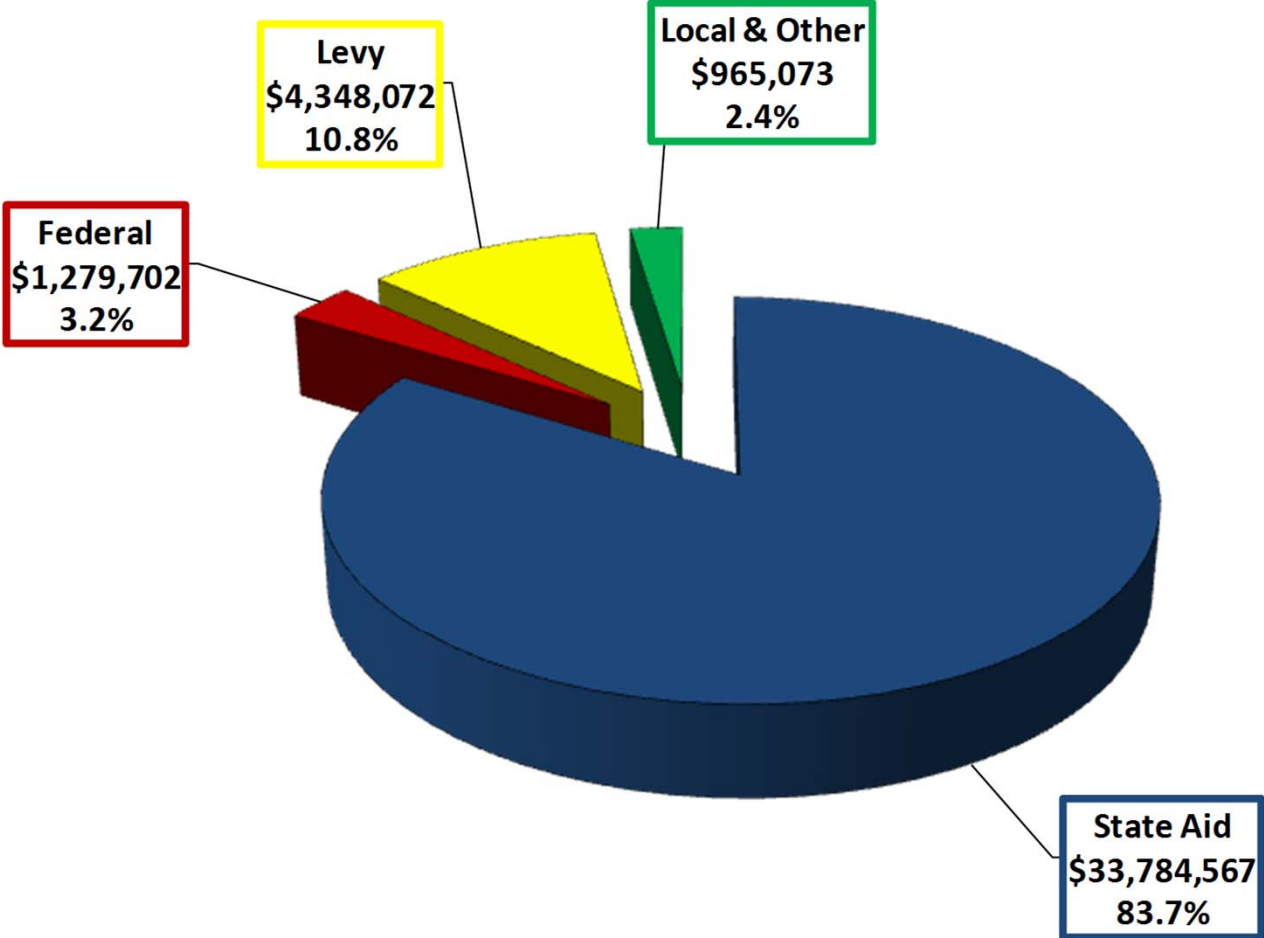
FUND	FISCAL 2016 BEGINNING FUND BALANCES	2015-16 ACTUAL REVENUES AND TRANSFERS IN	2015-16 ACTUAL EXPENDITURES & TRANSFERS OUT	June 30, 2016 ACTUAL FUND BALANCE	2016-17 BUDGET REVENUES AND TRANSFERS IN	2016-17 BUDGET EXPENDITURES & TRANSFERS OUT	June 30, 2017 PROJECTED FUND BALANCE
General/Restricted	\$224,305	\$7,073,081	\$7,224,859	\$72,527	\$7,359,457	\$7,394,403	\$37,581
General/Other	3,259,885	34,199,513	32,618,476	4,840,922	33,017,957	33,164,822	4,694,057
Food Service	316,699	2,031,867	1,790,549	558,017	2,003,109	2,059,531	501,595
Community Service	(64,215)	2,947,511	2,675,122	208,174	3,046,433	2,984,566	270,041
Building Construction	723,983	28,188,109	7,633,179	21,278,913	464,983	15,869,983	5,873,913
Debt Service	432,423	23,289,781	3,012,195	20,710,009	3,761,317	24,805,057	(333,731)
Internal Service	184,238			1,026,375			1,521,375
OPEB* Revocable Trust	4,555,643	181,090	198,624	4,538,109	121,000	233,250	4,425,859
OPEB* Debt Service	87,712	610,795	562,578	135,929	584,640	564,828	155,741
Total All Funds	\$9,720,673	\$98,521,747	\$55,715,582	\$53,368,975	\$50,358,896	\$87,076,440	\$17,146,431

*Other Post-Employment Benefits (OPEB)

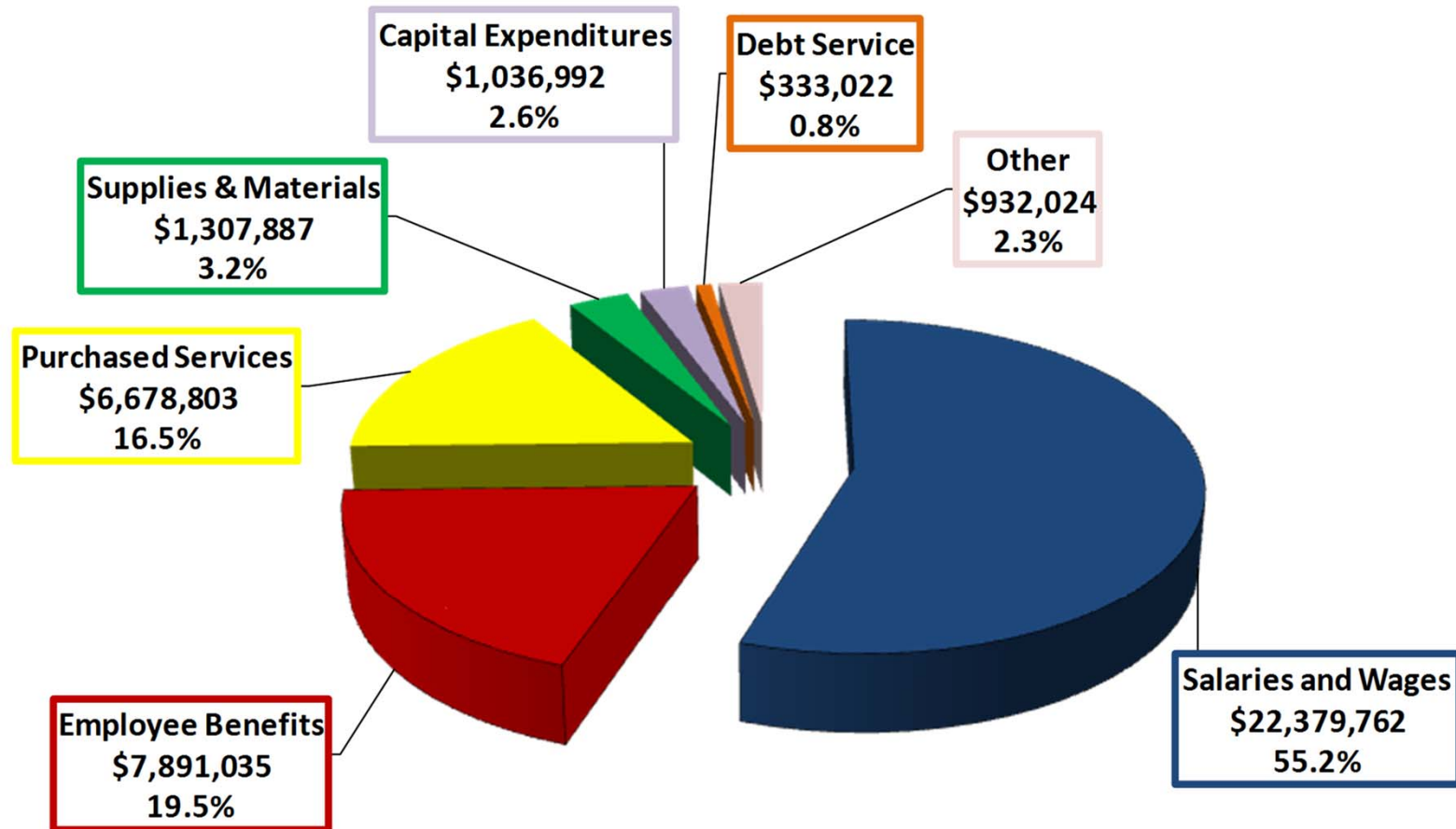
**Fridley Public Schools ISD #14
Revenue All Funds
2016-17 Budget \$50,358,896**



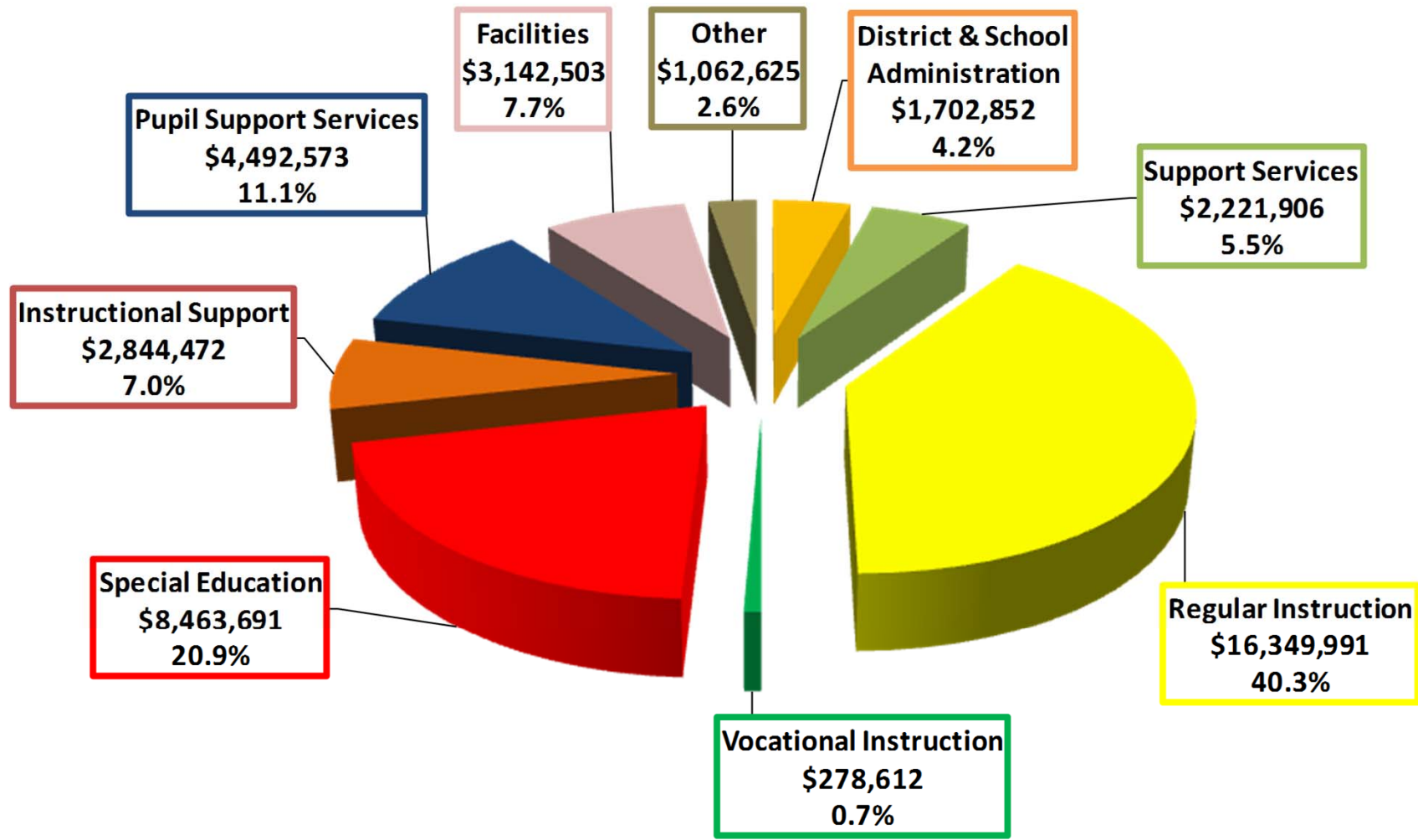
**Fridley Public Schools ISD #14
General Fund Revenue
2016-17 Budget \$40,377,414**



Fridley Public Schools ISD #14 General Fund Expenditure by Object 2016-17 Budget \$40,559,225



Fridley Public Schools ISD #14 General Fund Expenditures by Program 2016-17 Budget \$40,559,225



Property Tax Background

- Every owner of taxable property pays property taxes for various “taxing jurisdictions” (county, city or township, school district, special districts) in which property is located
- Each taxing jurisdiction sets its own tax levy, often based on limits in state law
- County sends out bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions



Spruce County
 Jane Smith, Auditor-Treasurer
 345 12th Street East, Box 78
 Spruceville, MN 55555-5555
 (555) 345-6789
 www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
 123 Pine Rd S
 Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1
Property Address: 789 Pine Rd S
 Spruceville, MN 55555

Property Description:
 Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2017

THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
1	Taxes Payable Year	2016	2017
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step	PROPOSED TAX		
2	Proposed Tax		\$1,467.52
Step	PROPERTY TAX STATEMENT		
3	Coming in 2017		
The time to provide feedback on PROPOSED LEVIES is NOW <i>It is too late to appeal your value without going to Tax Court.</i>			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2016	Proposed 2017
State General Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 9, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 2, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$374.60
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2017 may be higher than the proposed amount shown on this notice.</i>			
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.0%

Overview of Proposed Levy Payable in 2016

- Total 2017 proposed property tax levy is an increase from final levy in 2016 of \$602,135, or 6.6%
- General fund levies increased but were offset by levies in Community Education and Debt Service

Fridley Public Schools ISD #14

Comparison of Proposed Tax Levy Payable in 2017 to Actual Levy Payable in 2016

Fund	Levy Category	Actual Levy Payable in 2016	Proposed Levy Payable in 2017	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$374,050	\$473,343	\$99,293	
	Board Approved Referendum	426,366	439,082	12,716	
	Local Optional Revenue	1,039,776	1,070,785	31,009	
	Equity	387,433	391,474	4,041	
	Student Achievement	41,969	19,978	(21,991)	
	Alt Teacher Comp/Q Comp	191,220	195,717	4,497	
	Achievement & Integration	183,040	202,689	19,649	
	Capital Project/Tech Referendum	707,666	717,635	9,969	
	Operating Capital	226,925	171,015	(55,910)	
	Long Term Facilities Maintenance	273,000	1,048,273	775,273	
	Instructional Lease	436,342	468,050	31,708	
	Safe Schools	159,475	164,483	5,008	
	Other	75,521	80,699	5,178	
	Levy Abatements and Adjustments	(124,709)	68,768	193,477	
	Total, General Fund	\$4,398,074	\$5,511,990	\$1,113,916	25.3%
Community Service Fund					
	Basic Community Education	\$120,409	\$120,409	\$0	
	Early Childhood Family Education	47,555	46,749	(807)	
	School-Age Child Care	147,000	165,000	18,000	
	Other	1,800	832	(968)	
	Levy Abatements and Adjustments	44,540	(3,359)	(47,899)	
	Total, Community Service Fund	\$361,304	\$329,630	(\$31,674)	-8.8%
Debt Service Funds					
	Voter Approved	\$2,069,257	\$2,150,768	\$81,512	
	LT Facility Maintenance	1,677,107	1,305,616	(371,491)	
	Other Post Employment Benefits	592,597	588,660	(3,937)	
	Reduction for Debt Excess	(19,201)	(177,205)	(158,004)	
	Levy Abatements and Adjustments	26,197	(1,990)	(28,187)	
	Total, Debt Service Fund	\$4,345,957	\$3,865,849	(\$480,108)	-11.0%
Total Levy, All Funds		\$9,105,335	\$9,707,470	\$602,135	6.6%
Subtotal by Truth in Taxation Categories					
	Voter Approved	\$3,111,632	\$3,382,294	\$270,661	
	Other	<u>\$5,993,703</u>	<u>\$6,325,176</u>	<u>\$331,473</u>	
	Total	\$9,105,335	\$9,707,470	\$602,135	6.6%

Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: + \$99,293
- Use of funds: General operating expenses
- Reason for change
 - Funding is based on voter approved authority per pupil and is provided through a combination of local tax levies and state aid
 - Voter approved authority includes an annual inflationary increase
 - Growth in pupils is expected

Explanation of Levy Changes

- Category: Long Term Facilities Maintenance (LTFM)
- Change: + \$775,273 (offset by reductions in Operating Capital, Student Achievement, and Debt Service levies)
- Use of funds: Facilities maintenance
- Reason for increase
 - New category of revenue created by legislation in 2015; replaced previous health & safety, deferred maintenance, and alternative facilities programs
 - Revenue is provided through property tax levies and state aid and is being phased in over 3 years
 - ISD #14 will receive \$504,000 in LTFM aid for fiscal year 2018; received \$313,000 in LTFM aid for fiscal year 2017, and \$78,000 in aid in fiscal year 2016 from deferred maintenance program (no aid in health and safety and alternative facilities programs)
 - Increasing LTFM levy allows district to maximize available state aid to fund key facilities maintenance costs

Explanation of Levy Changes

- Category: General Fund Adjustments
- Change: + \$193,444
- Use of funds: Various purposes
- Reason for increase
 - Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
 - In later years, estimates are updated and levies are retroactively adjusted
 - 2017 levy includes positive adjustments in several categories of levies, including an \$145,000 adjustment for Fiscal Year 2015-16 Health & Safety program costs

Explanation of Levy Changes

- Category: Reduction for Debt Excess
- Change: - \$158,004
- Use of funds: Payments on bonds
- Reason for decrease
 - Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
 - Because delinquencies are generally less than 5%, most districts gradually build-up fund balances in debt service funds
 - Formulas in state law determine adjustments to tax levy for debt excess balances
 - State-required reduction for 2017 is greater than in 2016

Explanation of Levy Changes

- Category: Long Term Facilities Maintenance Debt Service
- Change: - \$371,491
- Use of funds: Payments on bonds
- Reason for decrease
 - In January of 2016, district refunded (refinanced) its 2007A Alternative Facilities bonds, which reduced taxes payable in 2017 by approximately \$255,000
 - District is receiving an increase in LTFM aid (as explained on previous slide)

Impact on Taxpayers

Following are a table and graphs showing examples of changes in school district portion of property taxes from 2014 to 2017

- Examples include school district taxes only
- All examples are based on a 19.9% 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 2017 are preliminary estimates, based on best data available now – final figures could change slightly
- Estimates were prepared by Ehlers (District's financial advisors)

Fridley Public Schools ISD #14

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 19.9% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Type of Property	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	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Estimated Taxes Payable in 2017	Change in Taxes 2014 to 2017	Change in Taxes 2016 to 2017
Residential Homestead	\$83,403	\$400	\$91,743	\$454	\$91,743	\$490	\$100,000	\$529	\$129	\$39
	125,104	692	137,615	771	137,615	836	150,000	885	193	49
	166,806	984	183,486	1,089	183,486	1,182	200,000	1,242	258	60
	208,507	1,276	229,358	1,406	229,358	1,528	250,000	1,598	322	70
	250,209	1,568	275,229	1,723	275,229	1,873	300,000	1,954	386	81
	333,611	2,152	366,972	2,357	366,972	2,565	400,000	2,667	515	102
	417,014	2,735	458,716	2,972	458,716	3,235	500,000	3,342	607	107
	500,417	3,282	550,459	3,628	550,459	3,951	600,000	4,133	851	182
667,223	4,583	733,945	5,039	733,945	5,494	800,000	5,717	1,134	223	
834,028	5,883	917,431	6,450	917,431	7,036	1,000,000	7,300	1,417	264	
Commercial/ Industrial #	\$83,403	\$547	\$91,743	\$606	\$91,743	\$606	\$100,000	\$677	\$130	\$71
	208,507	1,463	229,358	1,647	229,358	1,645	250,000	1,861	398	216
	417,014	3,174	458,716	3,543	458,716	3,539	500,000	3,972	798	433
	625,521	4,885	688,073	5,438	688,073	5,433	750,000	6,084	1,199	651
	834,028	6,596	917,431	7,334	917,431	7,327	1,000,000	8,196	1,600	869
Apartments (4 or more units)	\$83,403	\$650	\$91,743	\$706	\$91,743	\$771	\$100,000	\$792	\$142	\$21
	500,417	3,902	550,459	4,233	550,459	4,629	600,000	4,750	848	121
	834,028	6,503	917,431	7,055	917,431	7,715	1,000,000	7,917	1,414	202

Tax Rates	
Tax Capacity Rate	49.552
Referendum Market Value Rate	0.16027
	48.422
	0.16375
	54.252
	0.16274
	49.354
	0.17478

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.

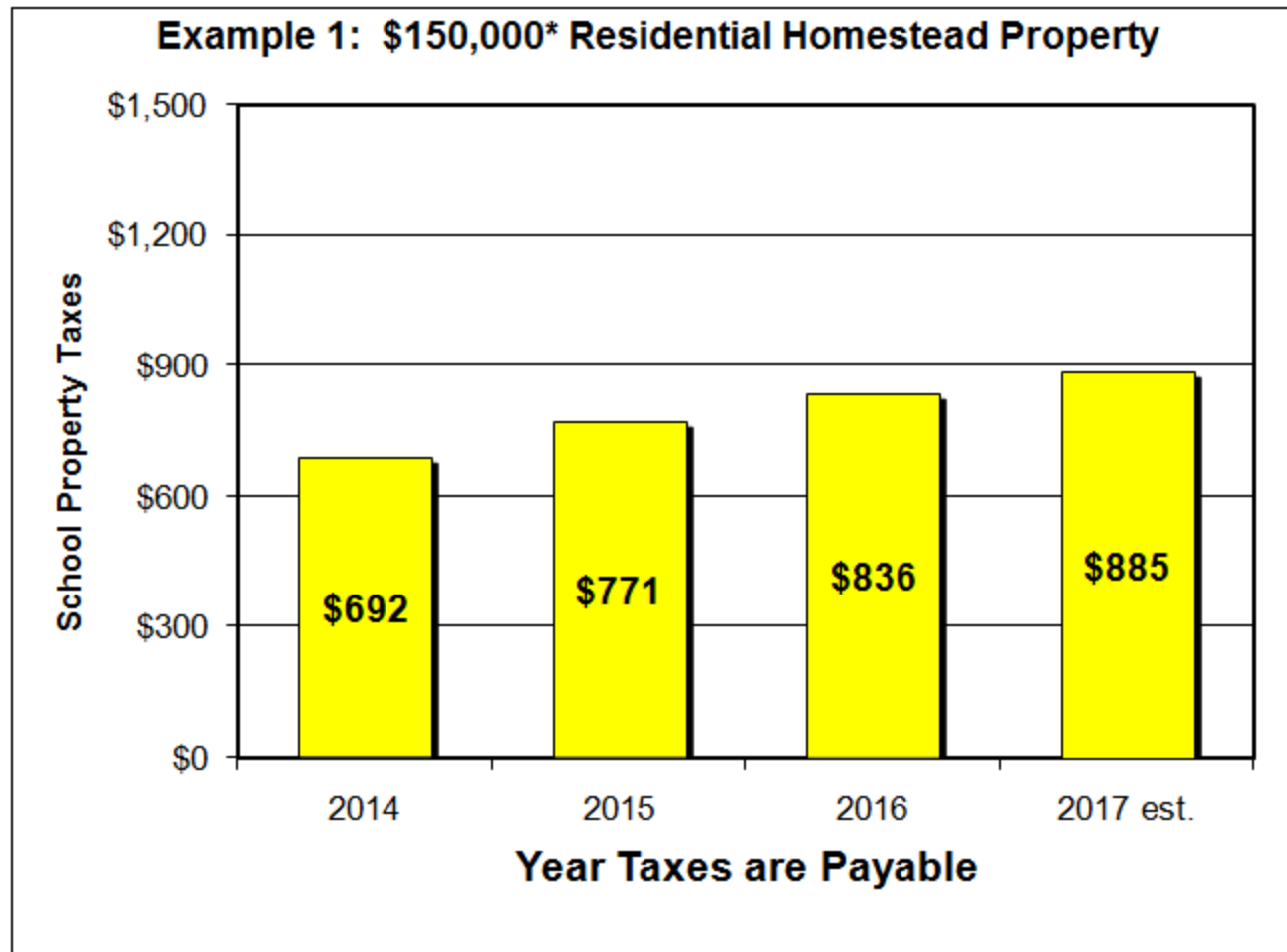
General Notes

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. Estimates of taxes payable in 2017 are preliminary, 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 2014 to 2015 taxes, 0.0% from 2015 to 2016, and 9.0% from 2016 to 2017.

Fridley Public Schools ISD #14

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 19.9% Cumulative Changes in Property Value from 2014 to 2017 Taxes

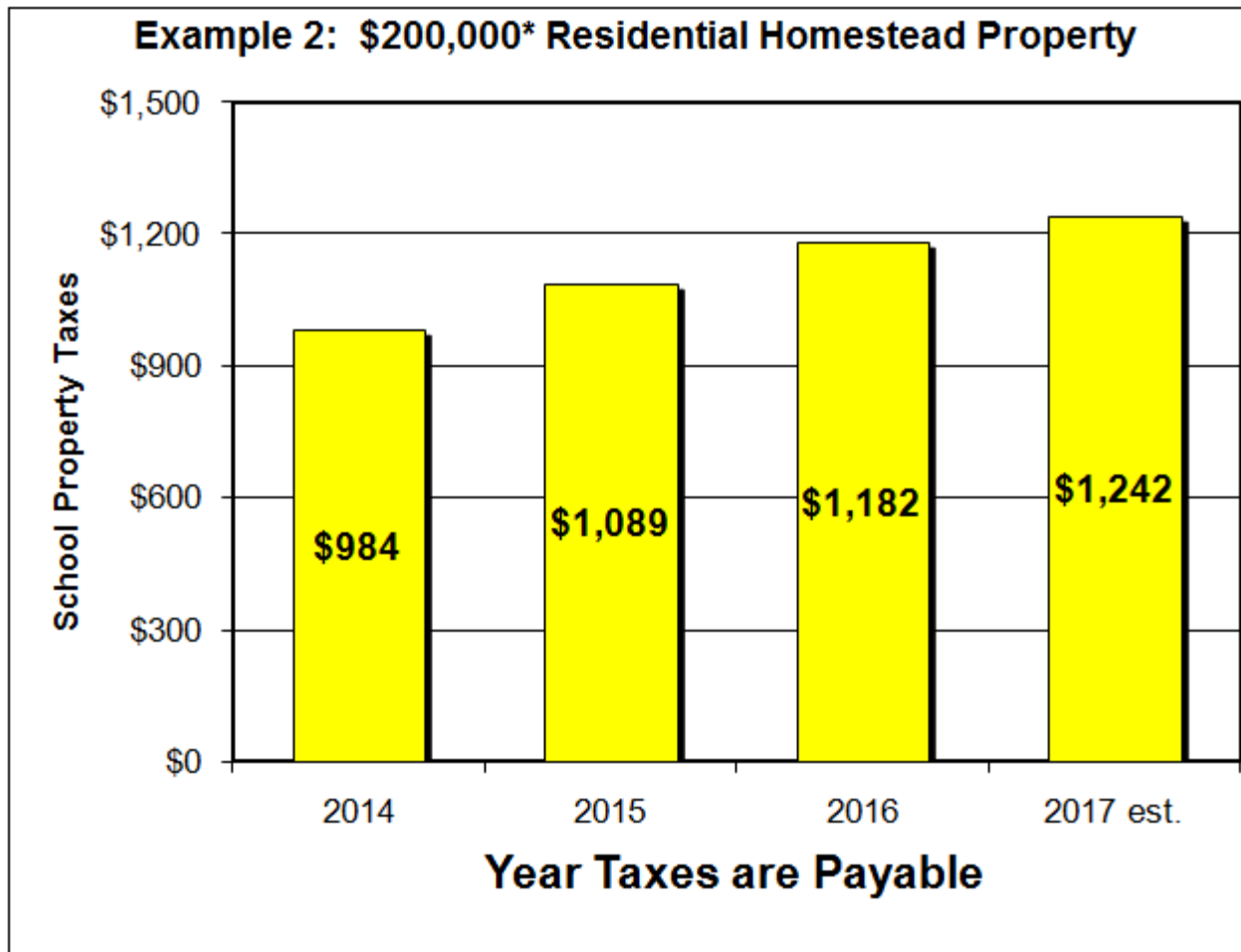


* The value shown in the title of the chart is the estimated market value for taxes payable in 2017. Taxes are calculated based on changes in market value of 10.0% from 2014 to 2015 taxes, 0.0% from 2015 to 2016, and 9.0% from 2016 to 2017.

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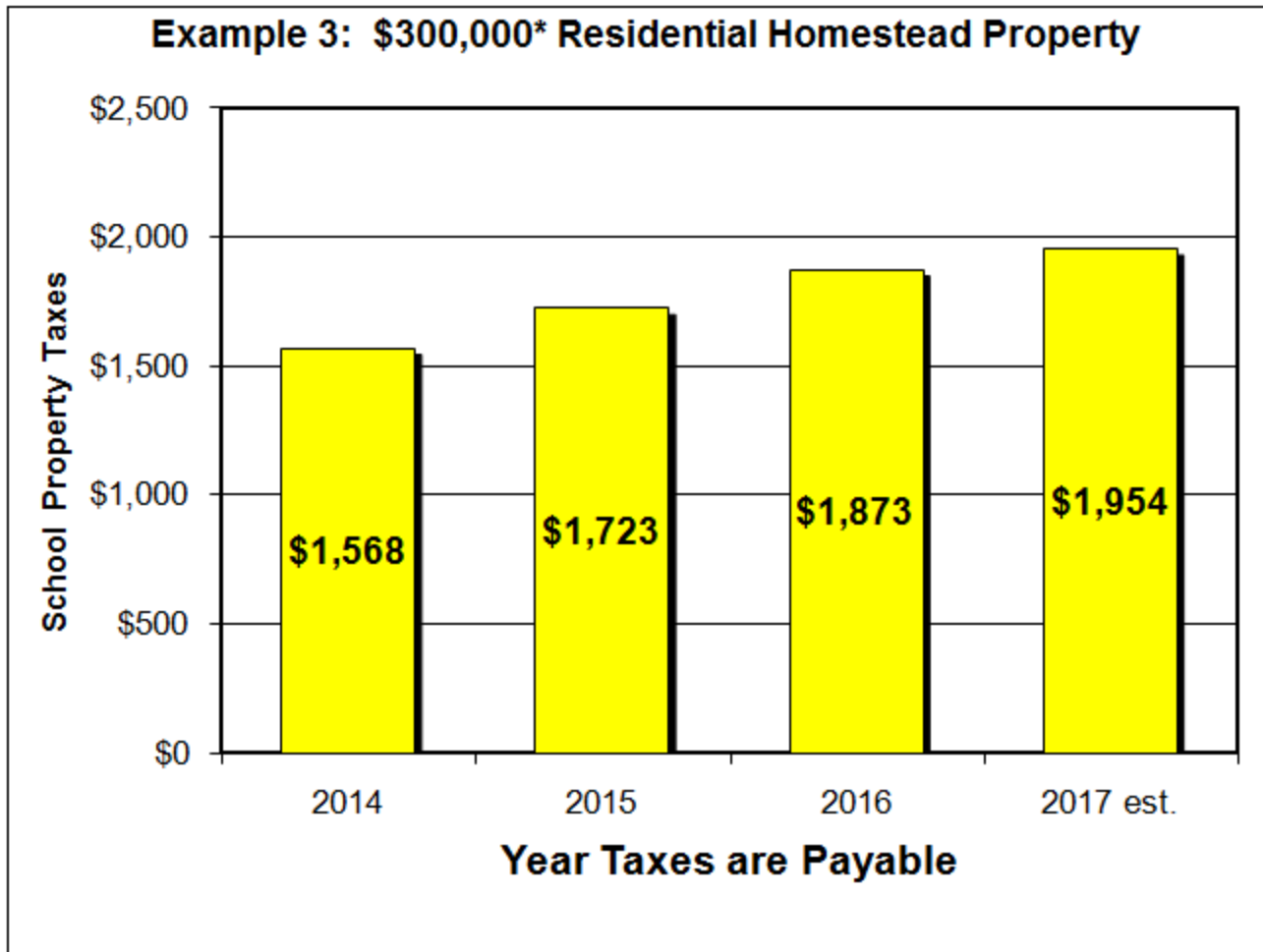


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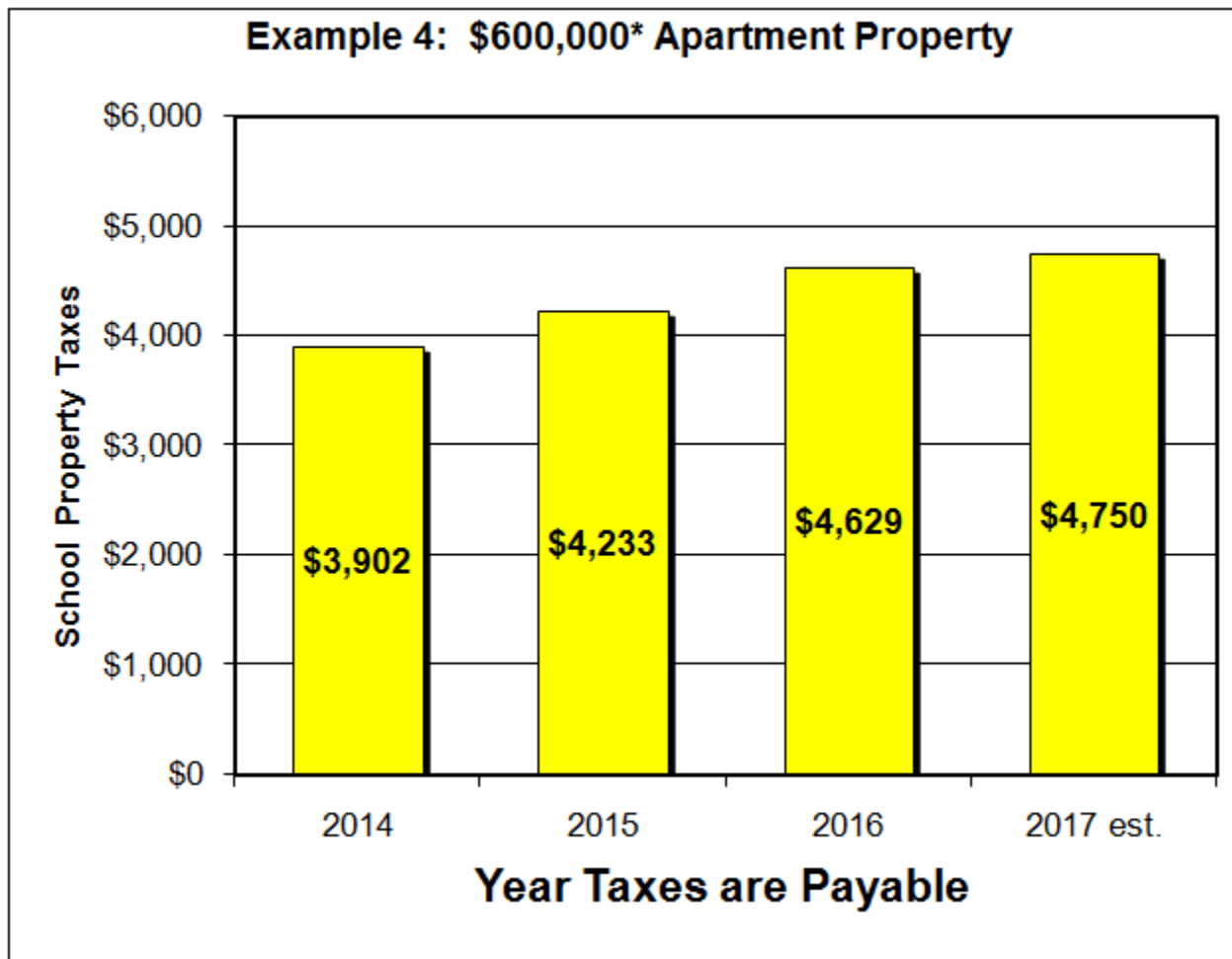


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Fridley Public Schools ISD #14

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 19.9% Cumulative Changes in Property Value from 2014 to 2017 Taxes



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Impact on Taxpayers

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



Next Steps

- School Board will accept public comments and questions on proposed tax levy
- School Board will certify final 2017 tax levy



Public Comments and Questions

Matthew Hammer

Director of Finance

Phone: 763-502-5004

matt.hammer@fridley.k12.mn.us