



Fridley Public Schools ISD 14

Public Hearing for Taxes Payable in 2018

DECEMBER 19, 2017

PRESENTED BY: MATTHEW HAMMER, DIRECTOR OF FINANCE

Agenda for Hearing

1. State Funding of Schools
2. Information on District's Budget
3. District's Proposed 2018 Tax Levy
4. Public Comments and Questions

Public Schools Established by Minnesota Constitution

ARTICLE XIII

MISCELLANEOUS SUBJECTS

Section 1

“**UNIFORM SYSTEM OF PUBLIC SCHOOLS.** The stability of a republican form of government depending mainly upon the intelligence of the people, *it is the duty of the legislature to establish a general and uniform system of public schools.* The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”

As a result...

School funding is highly regulated by the state

State Sets:

- Formulas which determine revenue; most revenue based on pupil counts
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

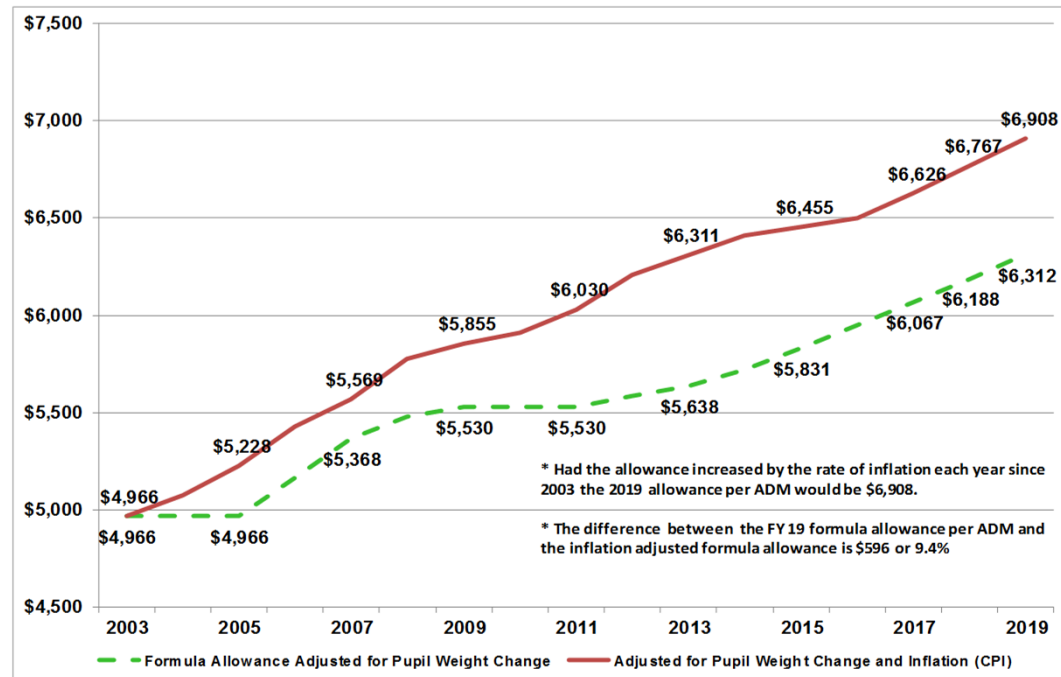
State also authorizes School Board to submit referendums for operating and capital needs to voters for approval

Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, State General Education Revenue formula has not kept pace with inflation
- For Fiscal Years 2017-18 and 2018-19, Legislature approved an increase of 2% per year
 - \$121 per pupil unit for Fiscal Year 2017-18
 - An additional \$124 for Fiscal Year 2018-19
- Per-pupil allowance for Fiscal Year 2018-19 would need to increase by another \$596 (9.4%) to have kept pace with inflation since 2002-03

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE January 2017 Inflation Estimates

Underfunding of Special Education

- MDE reports cost of providing special education programs was underfunded by \$697 million, or an average of 40% underfunded
- Translating into a statewide average funding shortfall of \$5,783 per special education student
- Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law
- 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 Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2017-18, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,296 per pupil
 - 20.5% of general education formula allowance
 - Of this amount, \$879 is board approved or voter approved operating referendum, and \$417 is Local Optional Revenue
 - Total authority for Fridley Public Schools is \$911.43 compared to the state average of \$1,296

School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2018 taxes provide revenue for 2018 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2018 taxes provide revenue for 2018-19 school fiscal year
- Budget will be adopted in June 2018

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing.

All school districts' budgets are divided into separate funds based on purposes of revenue, as required by law.

Our District's Funds

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Internal Service*
- OPEB** Trust
- OPEB** Debt Service

* *Annual budget is not prepared for this fund*

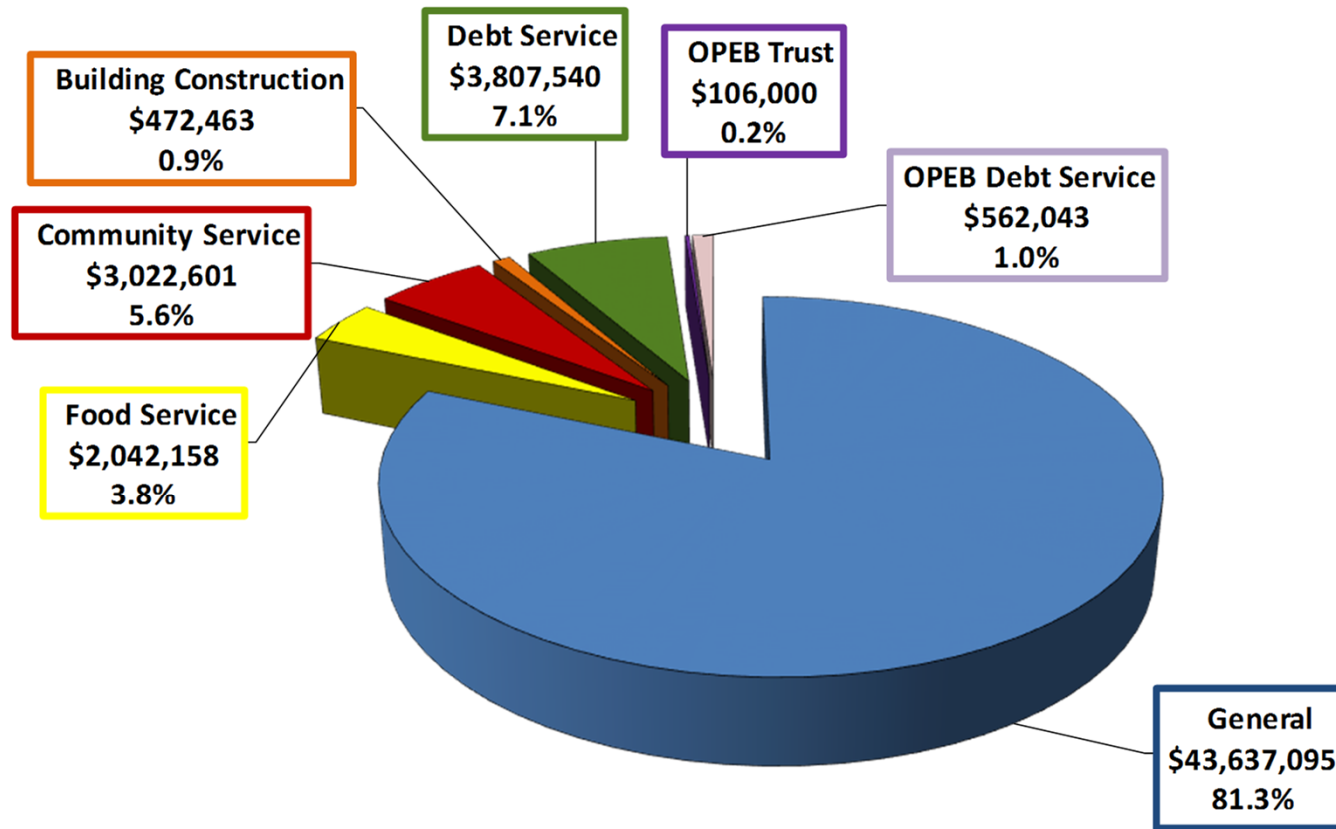
** *Other Post Employment Benefits*

**Fridley Public Schools ISD #14
District Revenues and Expenditures
Actual for FY 2017, Budget for FY 2018**

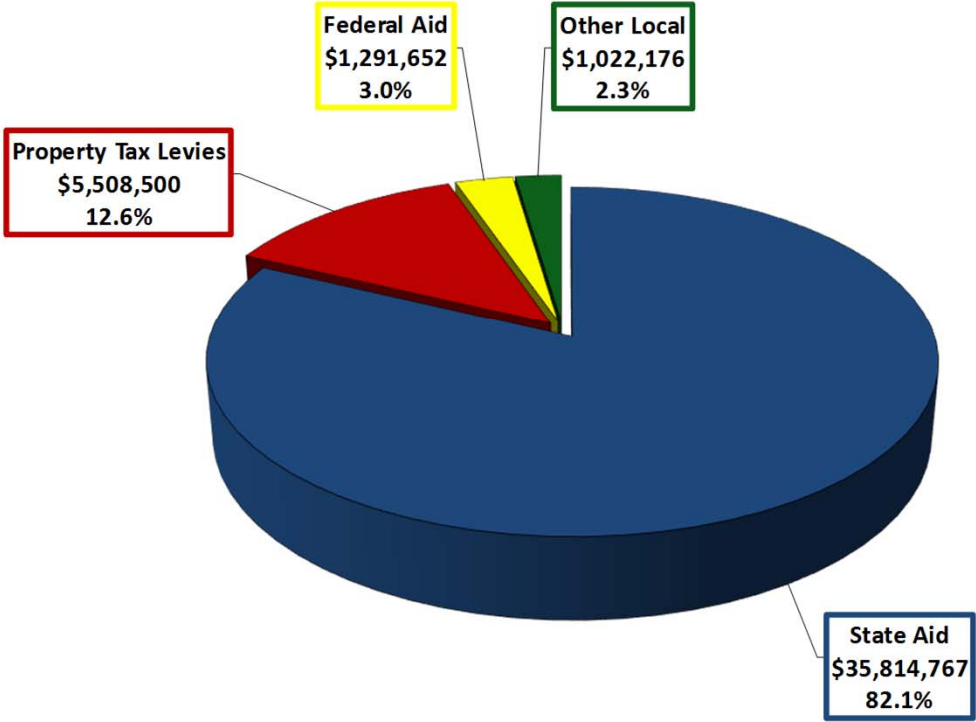
FUND	FISCAL 2017 BEGINNING FUND BALANCES	2016-17 ACTUAL REVENUES AND TRANSFERS IN	2016-17 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2017 ACTUAL FUND BALANCE	2017-18 BUDGET REVENUES AND TRANSFERS IN	2017-18 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2018 PROJECTED FUND BALANCE
General/Restricted	\$72,527	\$7,808,560	\$7,948,279	(\$67,192)	\$8,461,281	\$8,317,598	\$76,491
General/Other	4,840,922	34,189,345	33,609,888	5,420,379	35,175,814	35,314,158	5,282,035
Food Service	558,017	2,130,199	2,125,134	563,082	2,042,158	2,119,511	485,729
Community Service	208,174	2,955,971	2,749,224	414,921	3,022,601	3,033,541	403,981
Building Construction	21,278,913	2,661,913	15,177,664	8,763,162	472,463	4,966,463	4,269,162
Debt Service	20,710,009	4,183,713	23,989,882	903,840	3,807,540	3,834,063	877,317
Internal Service	1,026,375			1,241,805			1,796,805
OPEB* Revocable Trust	4,538,109	137,289	171,109	4,504,289	106,000	223,250	4,387,039
OPEB* Debt Service	135,929	580,521	564,828	151,622	562,043	561,078	152,587
Total All Funds	\$53,368,975	\$54,647,511	\$86,336,008	\$21,895,908	\$53,649,900	\$58,369,662	\$17,731,146

*Other Post Employment Benefits

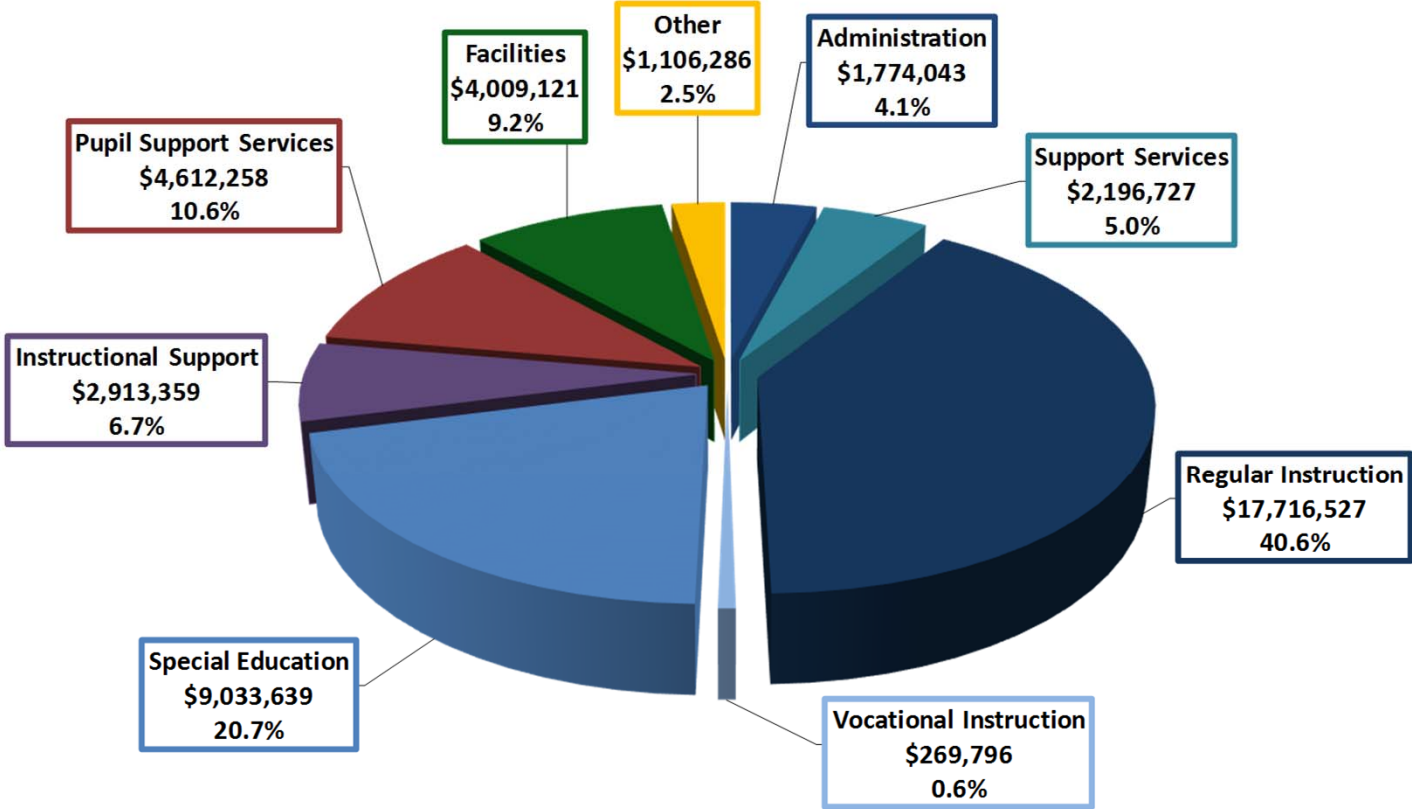
Fridley Public Schools ISD #14
Revenue - All Funds
2017-18 Budget \$43,637,095



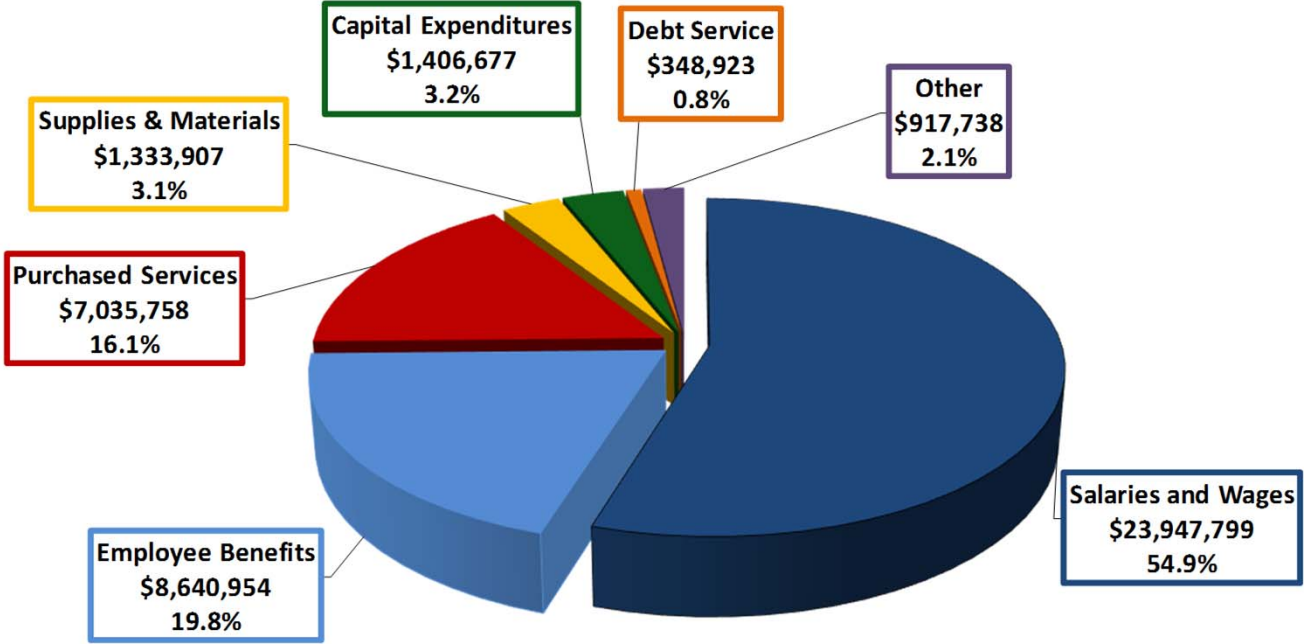
**Fridley Public Schools ISD #14
General Fund Revenue
2017-18 Budget \$43,637,095**



**Fridley Public Schools ISD #14
General Fund Expenditures by Program
2017-18 Budget \$43,631,756**



**Fridley Public Schools ISD #14
General Fund Expenditure by Object
2017-18 Budget \$43,671,756**



Payable 2018 Property Tax Levy

- Determination of levy
- Comparison of 2017 to 2018 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

Property Tax Background

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends 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 2018			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2017	2018
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
2	PROPOSED TAX		
	Property Taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
Property Taxes after credits	\$1,550.46		
3	PROPERTY TAX STATEMENT		
	Coming in 2018		
The time to provide feedback on PROPOSED LEVIES is NOW			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2017	Proposed 2018	
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 7, 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 4, 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 5, 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 2018 may be higher than the proposed amount shown on this notice.</i>				
Metro Special Taxing Districts		\$57.76	\$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 8, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts	No public meeting	\$12.80	\$13.02	
Tax Increment Tax	No public meeting	\$10.15	\$11.22	
Total excluding any special assessments		\$1,410.02	\$1,550.46	9.0%

Overview of Proposed Levy Payable in 2018

Total 2018 proposed property tax levy is an increase from 2017 of \$749,016 or 7.7%

State law requires that we explain the reasons for major increases in levy

A decrease in specific levy will also be explained



Fridley Public Schools ISD 14

Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2017

Fund	Levy Category	Actual Levy Payable in 2017	Proposed Levy Payable in 2018	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$473,343	\$502,491	\$29,149	
	Board Approved Referendum	439,082	466,120	27,039	
	Local Optional Revenue	1,070,785	1,136,724	65,939	
	Equity	391,474	418,933	27,458	
	Student Achievement	19,978	0	(19,978)	
	Alternate Teacher Comp/Q Comp	195,717	207,253	11,536	
	Capital Project/Technology Referendum	717,635	783,687	66,052	
	Operating Capital	171,015	147,629	(23,386)	
	Long Term Facilities Maintenance	1,048,273	1,314,562	266,289	
	Instructional Lease	468,050	597,369	129,319	
	Safe Schools	164,483	175,012	10,528	
	Other	283,387	281,469	(1,919)	
	Prior Year Levy Adjustments	68,768	219,376	150,608	
	Total, General Fund	\$5,511,990	\$6,250,625	\$738,635	13.4%
Community Service Fund					
	Basic Community Education	\$120,409	\$120,409	\$0	
	Early Childhood Family Education	46,749	46,815	67	
	School-Age Child Care	165,000	145,000	(20,000)	
	Other	832	939	107	
	Prior Year Levy Adjustments	(3,359)	10,814	14,173	
	Total, Community Service Fund	\$329,630	\$323,978	(\$5,653)	-1.7%
Debt Service Funds					
	Voter Approved Debt Service	\$2,150,768	\$2,323,651	\$172,883	
	Other Debt Service	0	271,740	271,740	
	LT Facility Maintenance Debt Service	1,305,616	1,226,066	(79,550)	
	Other Post Employment Benefits	588,660	589,185	525	
	Reduction for Debt Excess	(177,205)	(568,285)	(391,080)	
	Prior Year Levy Adjustments	(1,990)	39,525	41,516	
	Total, Debt Service Fund	\$3,865,849	\$3,881,883	\$16,034	0.4%
Total Levy, All Funds		\$9,707,470	\$10,456,486	\$749,016	7.7%
Subtotal by Truth in Taxation Categories:					
	Voter Approved Levies	3,382,294	3,488,560	106,266	
	Other Levies	6,325,176	6,967,925	642,750	
	Total	\$9,707,470	\$10,456,486	\$749,016	7.7%

Explanation of Levy Changes

Category: General Fund - Long Term Facilities Maintenance

Change: + \$266,289

Use of Funds: Deferred facility maintenance expenses

Reason for Change:

- New category of revenue created by legislation in 2015 (replaced previous Health & Safety and Deferred Maintenance programs); requires state-approval of projects in a ten year facility plan
- Revenue is phasing in over 3 years (\$193 per pupil for Fiscal Year 2016-17, \$292 per pupil for Fiscal Year 2017-18, and \$380 per pupil for Fiscal Year 2018-19) and is provided through a combination of property tax levy (48%) and state aid (52%)
- Increase in net LTFM levies are offset by reduction in other levy categories (Student Achievement and Operating Capital)

Explanation of Levy Changes

Category: General Fund - Instructional Lease

Change: + \$129,319

Use of Funds: State-Approved Lease Costs for Instructional Space

Reason for Change:

- Instructional lease costs for District's share of intermediate district's lease costs are estimated to increase by approximately \$66,000
- Remaining increase relates to District's estimated operating lease costs

Explanation of Levy Changes

Category: General Fund – Prior Year Levy Adjustments

Change: + \$150,608

Use of Funds: Various

Reason for Change:

- 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
- 2018 levy includes positive adjustments in several categories of levies, including approximately \$106,000 in adjustments for Fiscal Year 2015-16 Operating Referendum

Explanation of Levy Changes

Category: Debt Service - Voter Approved

Change: + \$172,883

Use of Funds: Annual principal and interest payments on voter-approved bonds

Reason for Change:

- Planned increase to maintain a level tax rate for capital and debt levies

Explanation of Levy Changes

Category: Debt Service - Other

Change: + \$271,740

Use of Funds: Annual principal and interest payments on abatement bonds

Reason for Change:

- Abatement bonds (with a term of 10 years) were issued in February of 2017 to finance parking lot construction projects at various school sites throughout the District
- Due to timing of levy process, District wasn't able to make a levy for taxes payable in 2017 so Fiscal Year 2017-18 bond payments are being paid from bond proceeds; Pay 2018 is initial debt levy for abatement bond payments

Explanation of Levy Changes

Category: Reduction for Debt Excess

Change: - \$391,080

Use of Funds: Annual principal and interest payments


Reason for Change:

- 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 2018 is greater than in 2017

Four Year School Levy Comparison

Following are a table and charts showing examples of changes in the school district portion of property taxes from 2015 to 2018

All examples are based on no increase in property value over this period

- Actual changes in value may be more or less than this for any parcel of property
 - Amounts for 2018 are preliminary estimates, based on the best data available now – final figures could change slightly
 - Estimates prepared by Ehlers (District's municipal financial advisors)
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Fridley Public Schools ISD #14
Estimated Changes in School Property Taxes, 2015 to 2018
Based on No Increases in Property Values

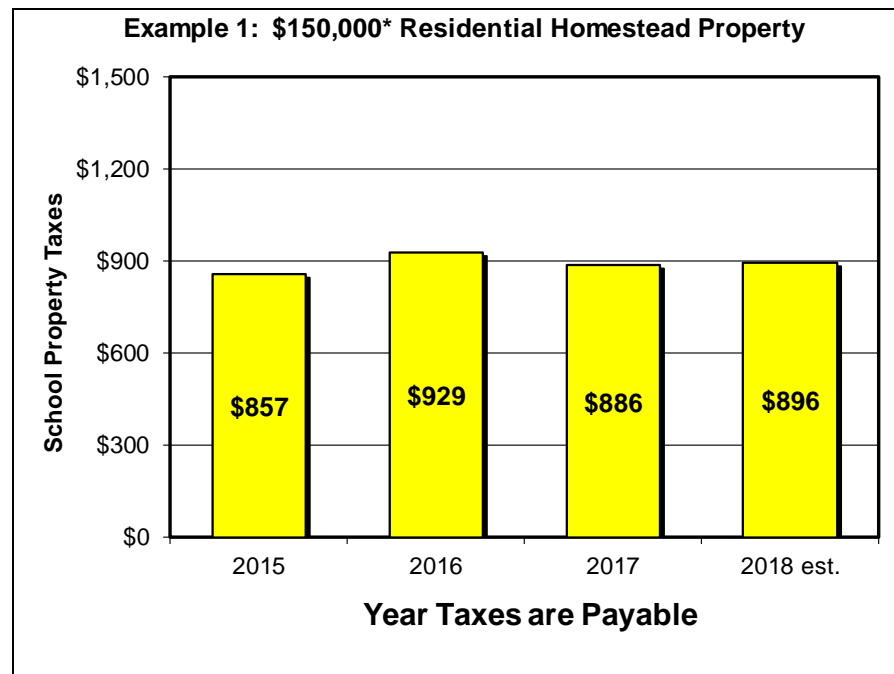
Type of Property	Estimated Market Value	Actual Taxes Payable in 2015	Actual Taxes Payable in 2016	Actual Taxes Payable in 2017	Estimated Taxes Payable in 2018	Change in Taxes 2015 to 2018	Change in Taxes 2017 to 2018
Residential Homestead	\$100,000	\$511	\$552	\$529	\$534	\$23	\$5
	150,000	857	929	886	896	39	10
	200,000	1,203	1,306	1,243	1,258	55	15
	250,000	1,549	1,683	1,599	1,620	71	21
	300,000	1,894	2,060	1,956	1,982	88	26
	400,000	2,586	2,814	2,669	2,706	120	37
	500,000	3,240	3,526	3,345	3,391	151	46
	600,000	4,009	4,367	4,137	4,197	188	60
Commercial/ Industrial #	800,000	5,547	6,049	5,722	5,808	261	86
	1,000,000	7,085	7,731	7,307	7,419	334	112
	\$100,000	\$661	\$660	\$678	\$677	\$16	-\$1
	250,000	1,818	1,816	1,861	1,861	43	0
	500,000	3,884	3,880	3,974	3,975	91	1
Agricultural Homestead (average value per acre of land and buildings)	750,000	5,950	5,945	6,087	6,090	140	3
	1,000,000	8,016	8,009	8,200	8,205	189	5
	\$2,000	\$4.84	\$5.43	\$4.94	\$4.01	-\$0.83	-\$0.93
	4,000	9.68	10.85	9.88	8.02	-1.66	-1.86
Agricultural Non-homestead (average value per acre of land and buildings)	6,000	14.53	16.28	14.82	12.04	-2.49	-2.78
	8,000	19.37	21.70	19.76	16.06	-3.31	-3.70
	\$2,000	\$9.68	\$10.85	\$9.88	\$8.02	-\$1.66	-\$1.86
Apartments and Res. Non-Homestead (2 or more units)	4,000	19.37	21.70	19.76	16.06	-3.31	-3.70
	6,000	29.05	32.55	29.64	24.08	-4.97	-5.56
	8,000	38.74	43.40	39.53	32.11	-6.63	-7.42
Apartments and Res. Non-Homestead (2 or more units)	\$100,000	\$769	\$841	\$792	\$806	\$37	\$14
	600,000	4,614	5,045	4,755	4,833	219	78
	1,000,000	7,690	8,409	7,924	8,055	365	131

General Notes

1. Amounts in table are based on school district taxes only, and do not include taxes for city, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2018 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2015 to 2018.

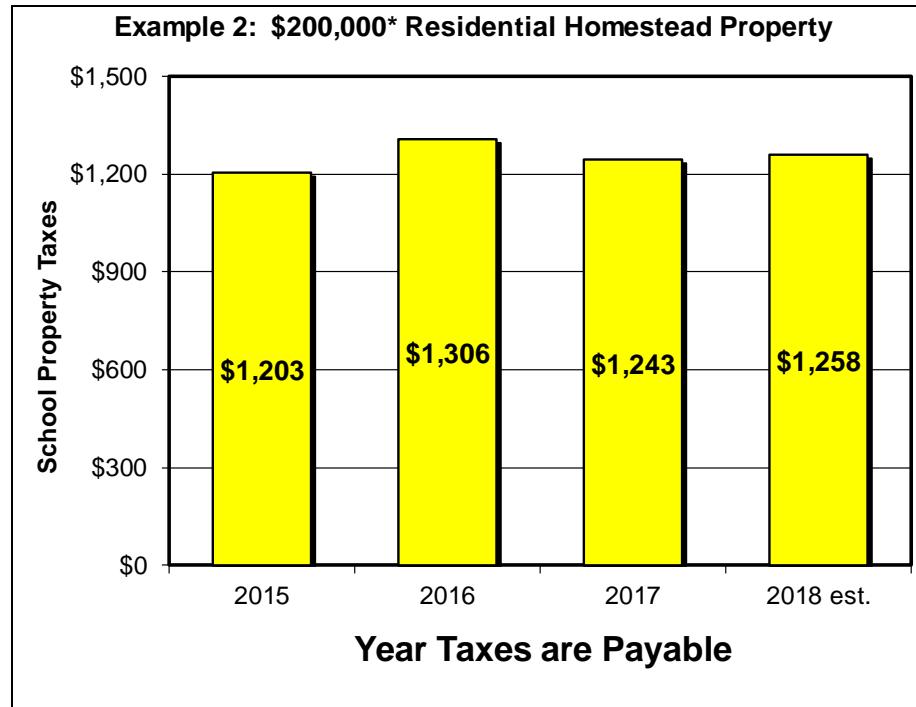
Fridley Public Schools ISD #14

Estimated Changes in School Property Taxes, 2015 to 2018 *Based on No Increases in Property Values*



* Value shown in title of chart is estimated market value for taxes payable in 2018.
Taxes are calculated based on no changes in estimated market value from 2015 to 2018.

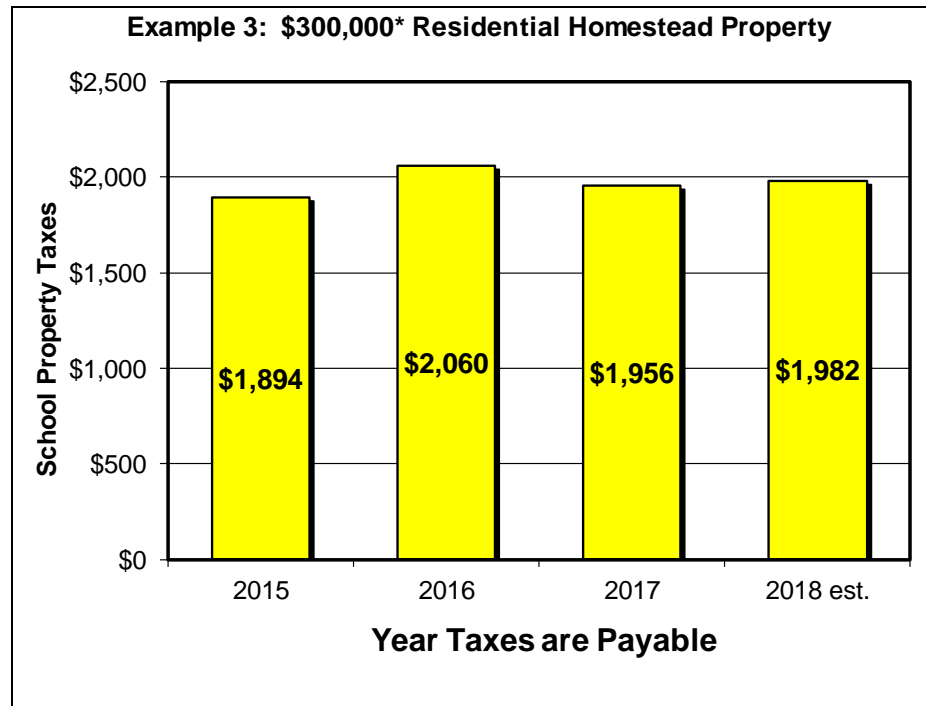
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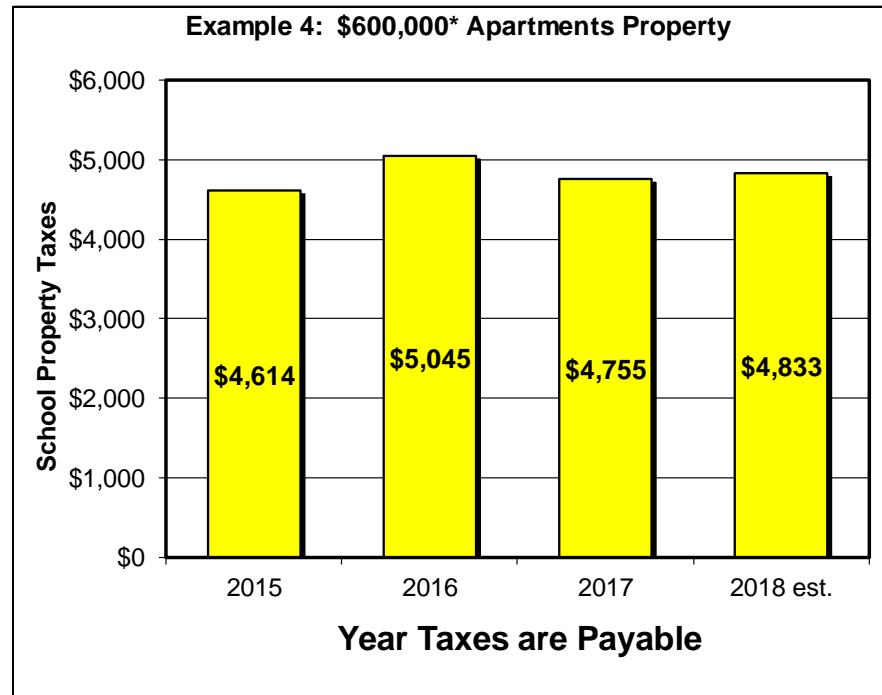
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Estimated Changes in School Property Taxes, 2015 to 2018 *Based on No Increases in Property Values*



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Factors Impacting Individual Taxpayers School Taxes

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 on proposed levy
- School Board will certify the 2018 property tax levy



A World-Class Community of Learners

Public Comments

Matthew Hammer
Director of Finance
Phone: 763-502-5004
matt.hammer@fridley.k12.mn.us
