



*A World-Class Community of Learners*

# Fridley Public Schools, ISD 14

Public Hearing for  
Taxes Payable in 2019

DECEMBER 18, 2018

PRESENTED BY:

MATTHEW HAMMER,

DIRECTOR OF FINANCE

# Agenda for Hearing

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1. State Funding of Schools
2. Information on District's Budget
3. District's Proposed 2019 Tax Levy
4. Public Comments and Questions

# Constitution Assigns Legislature Responsibility to Set Funding for Minnesota Public Schools

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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

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### State Sets:

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- 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

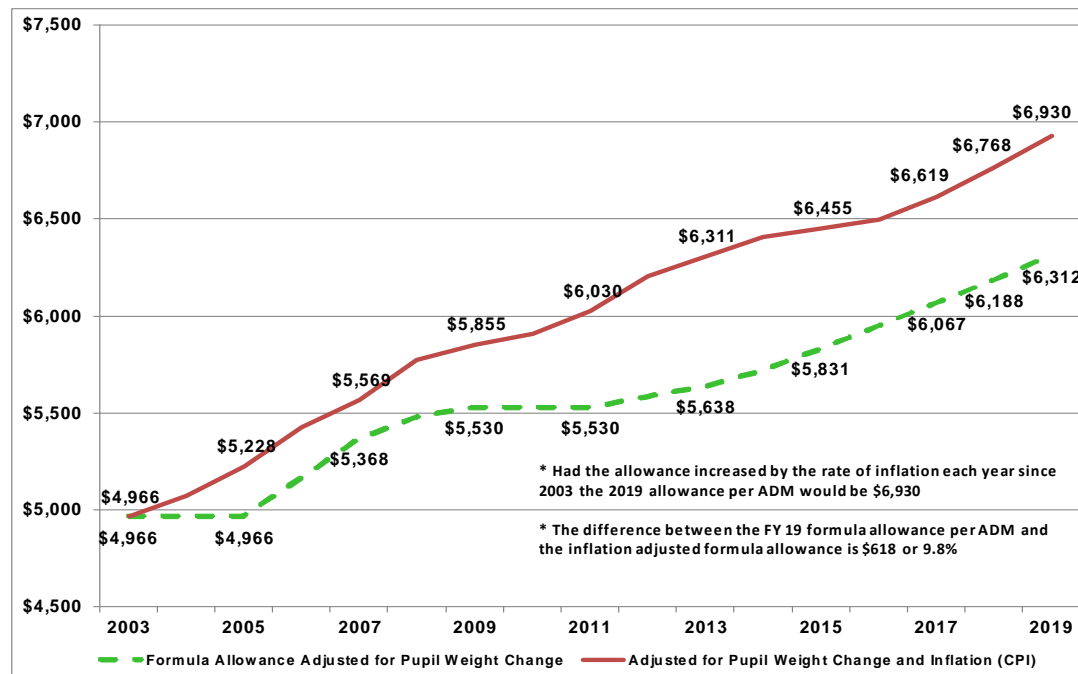
# Challenge: State Set Basic General Education Formula Lags Inflation

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- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2018-19, Legislature approved an increase of 2% or \$124 per year
- Per-pupil allowance for Fiscal Year 2018-19 would need to increase by another \$618 (9.8%) 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 June 2018 Inflation Estimates

# Underfunding of Special Education

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MDE reports the FY 2016 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

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- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2018-19, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,371 per pupil
  - Referendum revenue provides 13% of General Fund operating revenue
  - Of this amount, \$951 is a board approved or voter approved operating referendum, and \$420 is Local Optional Revenue



# Change in Tax Levy Does not Determine Change in Budget

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1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

**Expenditure budget is limited** by state-set revenue formulas, voter-approved levies, and fund balance

4

An increase in school taxes does not always correlate to an equal increase in budget

# School District Levy Cycle Differs from City/County Levy Cycle

## City/County:

- Budget Year same as calendar year
- 2019 taxes provide revenue for 2019 calendar year budget

## Schools:

- Budget year begins July 1st and coincides with school year
- 2019 taxes provide revenue for 2019-20 school fiscal year
- Budget will be adopted in June 2019

# Budget Information

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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. The Fiscal 2019-20 budget will be set in June 2019.

All school district 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

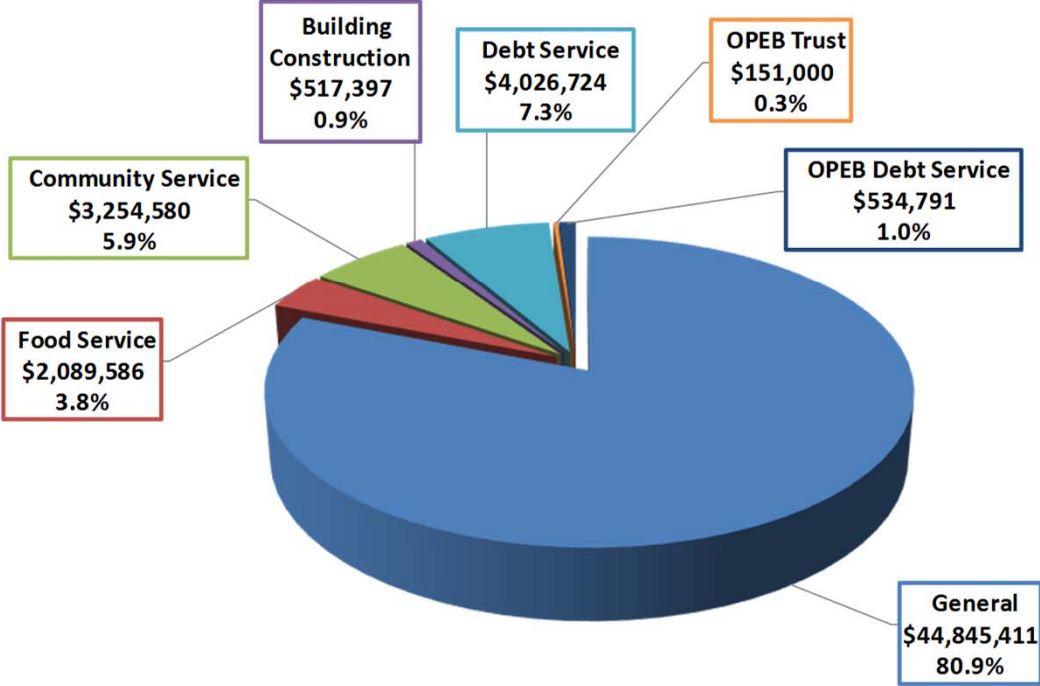
*\*Annual budgets are not prepared for this fund*

**Fridley Public Schools, ISD 14  
District Revenues and Expenditures  
Actual for FY 2018, Budget for FY 2019**

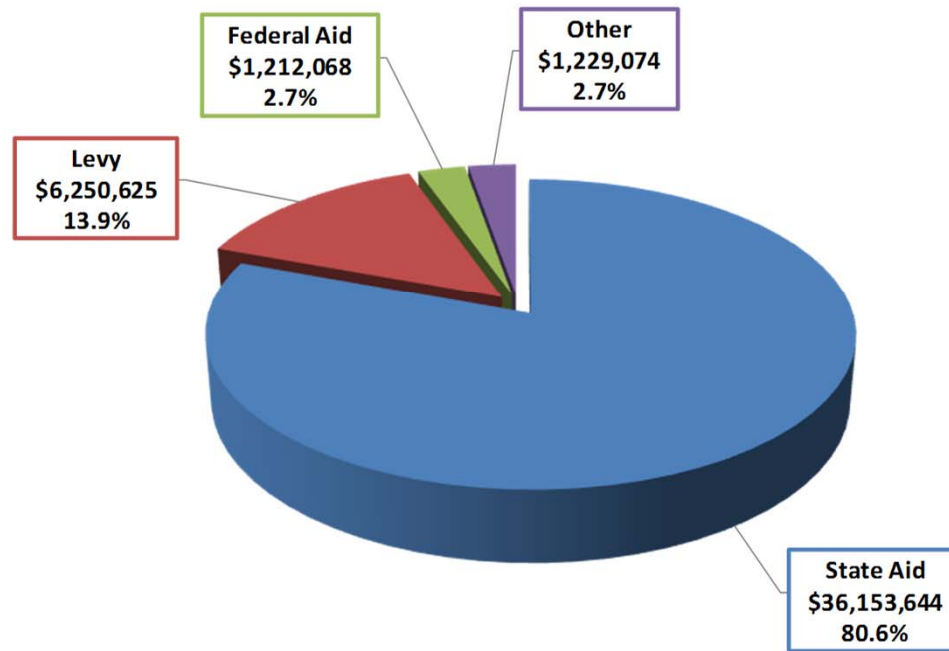
<b>FUND</b>	<b>FISCAL 2018 BEGINNING FUND BALANCES</b>	<b>2017-18 ACTUAL REVENUES AND TRANSFERS IN</b>	<b>2017-18 ACTUAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>JUNE 30, 2018 ACTUAL FUND BALANCE</b>	<b>2018-19 BUDGET REVENUES AND TRANSFERS IN</b>	<b>2018-19 BUDGET EXPENDITURES &amp; TRANSFERS OUT</b>	<b>JUNE 30, 2019 PROJECTED FUND BALANCE</b>
General/Restricted	-\$67,193	\$9,029,781	\$8,713,363	\$249,225	\$9,307,307	\$9,032,952	\$523,580
General/Other	5,420,380	34,969,975	35,512,289	4,878,066	35,538,104	35,867,494	4,548,676
Food Service	563,082	2,045,003	2,141,384	466,701	2,089,586	2,099,337	456,950
Community Service	414,921	2,991,704	2,953,535	453,090	3,254,580	3,344,744	362,926
Building Construction	8,763,162	529,905	6,480,292	2,812,775	517,397	2,391,584	938,588
Debt Service	903,840	3,836,198	3,832,363	907,675	4,026,724	4,290,250	644,149
Internal Service	1,241,805			2,793,185			2,996,394
OPEB* Revocable Trust	4,504,289	196,625	175,288	4,525,626	151,000	205,250	4,471,376
OPEB* Debt Service	151,622	559,503	561,078	150,047	534,791	561,578	123,260
<b>Total All Funds</b>	<b>\$21,895,908</b>	<b>\$54,158,694</b>	<b>\$60,369,592</b>	<b>\$17,236,390</b>	<b>\$55,419,489</b>	<b>\$57,793,189</b>	<b>\$15,065,899</b>

\*Other Post Employment Benefits

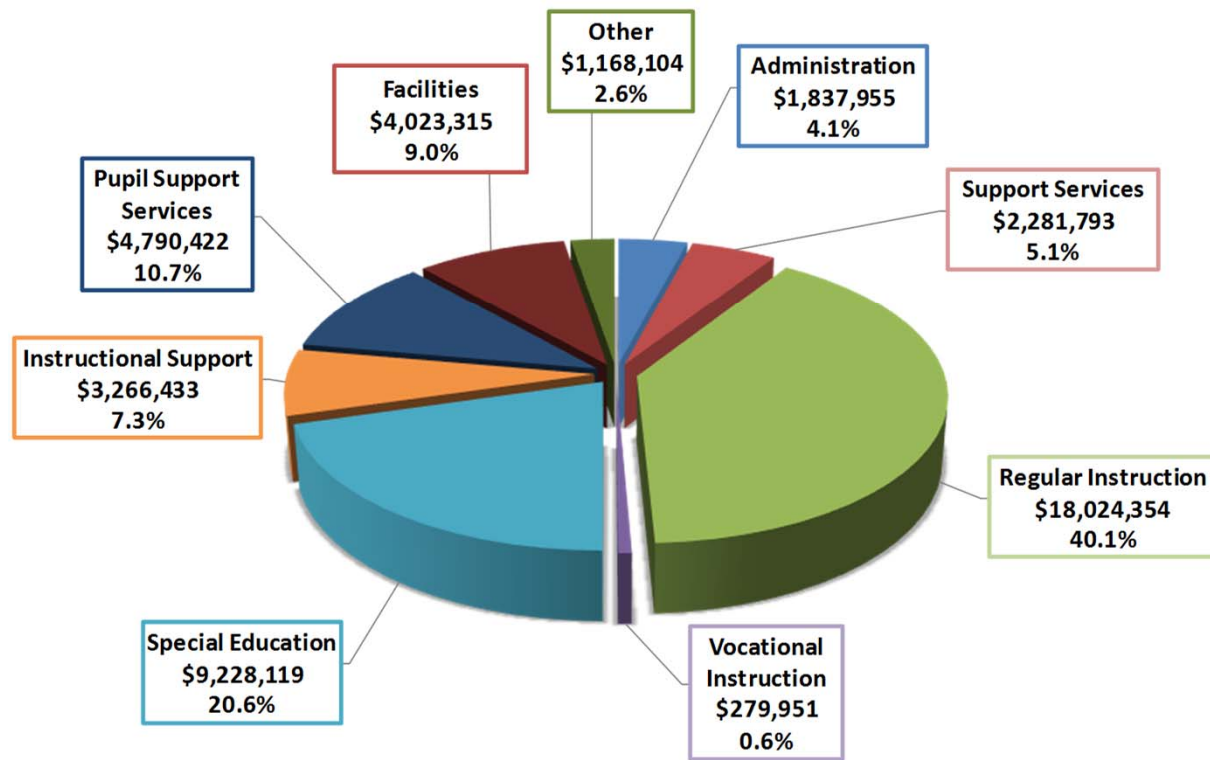
**Fridley Public Schools, ISD 14  
Revenue - All Funds  
2018-19 Budget \$55,419,489**



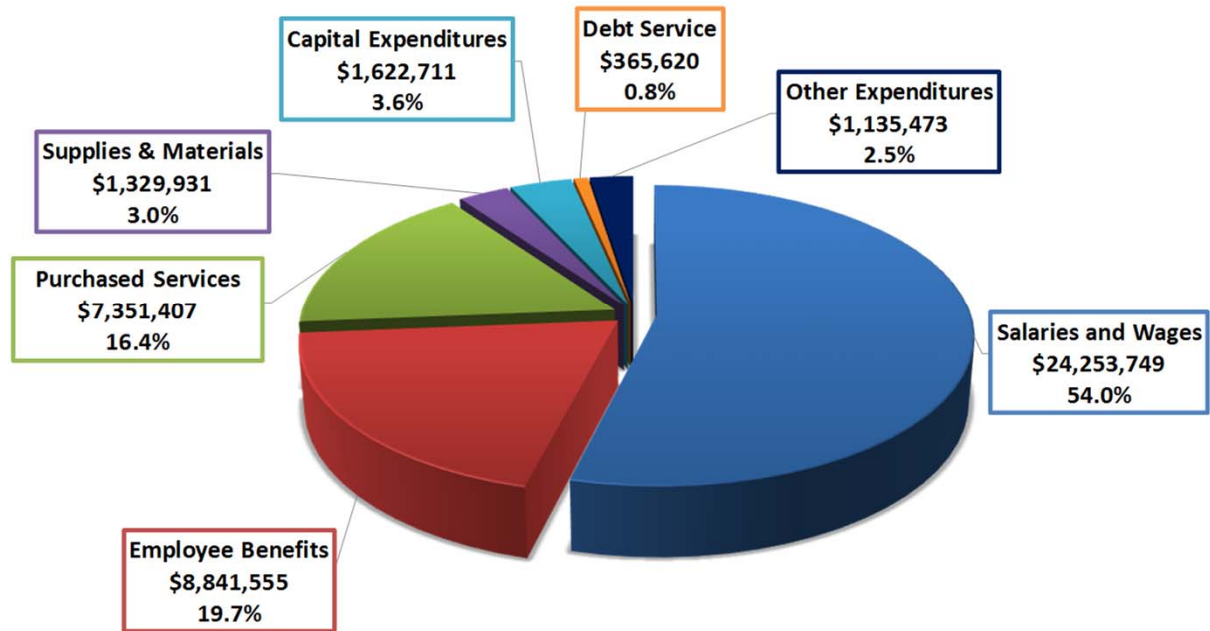
**Fridley Public Schools, ISD 14  
General Fund Revenue  
2018-19 Budget \$44,845,411**



**Fridley Public Schools, ISD 14  
General Fund Expenditures by Program  
2018-19 Budget \$44,900,446**



**Fridley Public Schools, ISD 14  
General Fund Expenditure by Object  
2018-19 Budget \$44,900,446**





# Payable 2019 Property Tax Levy

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- Determination of levy
- Comparison of 2018 to 2019 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

# Property Tax Background

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- 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

**Parcel Specific Notice:**

This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the Proposed 2019 levy on their property.

**Contents:**

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting



**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

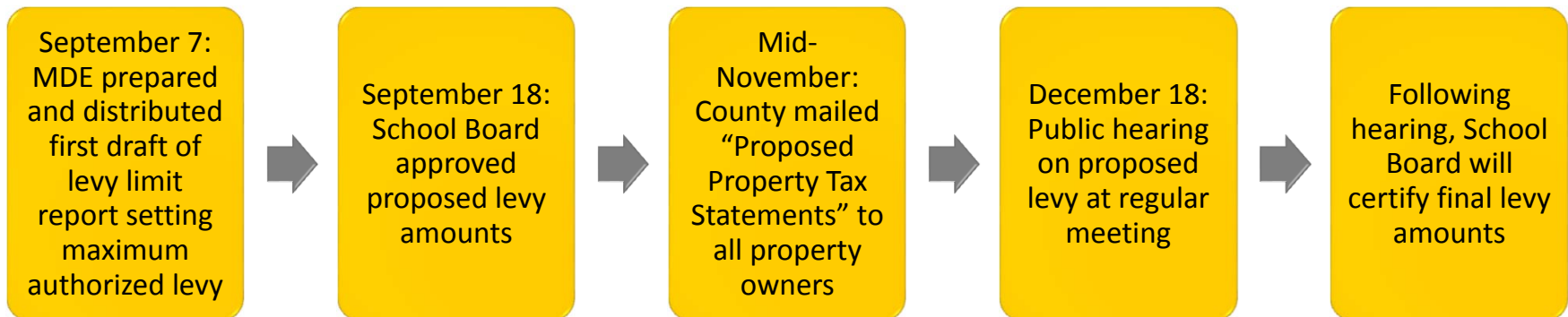
PROPOSED TAXES 2019			
THIS IS NOT A BILL. DO NOT PAY.			
VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2018	2019
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmsd	Res Hmsd
PROPOSED TAX			
2	Property Taxes before credits		\$1,562.46
	School building bond credit		\$ 12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,550.46
Step	PROPERTY TAX STATEMENT		
3	Coming in 2019		
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 2018	Proposed 2019
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 5, 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 3, 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) 123-4789	December 10, 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 2019 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 12, 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
<b>Total excluding any special assessments</b>		<b>\$1,410.02</b>	<b>\$1,550.46</b>
			<b>9.0%</b>

# Schedule of Events in Approval of District's 2018 (Payable 2019) Tax Levy

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# Overview of Proposed Levy Payable in 2019

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Total 2019 proposed property tax levy is an increase from 2018 of \$757,777, or 7.2%

Total differs from the proposed levy approved by the Board in September, because the District refinanced some of its existing bonds (reducing the 2019 debt service levy by \$23,367)

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

Some decreases in specific levies will also be explained



**Fridley Public Schools ISD 14**

**Comparison of Proposed Tax Levy Payable in 2019 to Actual Levy Payable in 2018**

<b>Fur Levy Category</b>	<b>Actual Levy Payable in 2018</b>	<b>Proposed Levy Payable in 2019</b>	<b>\$ Change</b>	<b>% Change</b>
<b>General Fund</b>				
Voter Approved Referendum	\$502,491	\$530,447	\$27,956	
Board Approved Referendum	466,120	492,053	25,933	
Local Optional Revenue	1,136,724	1,199,966	63,241	
Equity	418,933	444,610	25,677	
Alternate Teacher Compensation	207,253	236,493	29,240	
Capital Project Referendum	783,687	841,649	57,962	
Operating Capital	147,629	163,856	16,227	
Long Term Facilities Maintenance	1,314,562	1,230,480	(84,082)	
Instructional Lease	597,369	600,362	2,993	
Safe Schools	175,012	164,720	(10,292)	
Other	281,469	311,056	29,588	
Adjustments	219,376	161,312	(58,064)	
<b>Total, General Fund</b>	<b>\$6,250,625</b>	<b>\$6,377,004</b>	<b>\$126,379</b>	<b>2.0%</b>
<b>Community Service Fund</b>				
Basic Community Education	\$120,409	\$120,409	\$0	
Early Childhood Family Education	46,815	45,860	(955)	
School-Age Child Care	145,000	150,000	5,000	
Other	939	919	(20)	
Adjustments	10,814	52,877	42,063	
<b>Total, Community Service Fund</b>	<b>\$323,978</b>	<b>\$370,065</b>	<b>\$46,088</b>	<b>14.2%</b>
<b>Debt Service Funds</b>				
Voter Approved	\$2,323,651	\$2,304,961	(\$18,690)	
Other	271,740	265,440	(6,300)	
Long Term Facilities Maintenance	1,226,066	1,334,767	108,701	
Other Post Employment Benefits	589,185	571,654	(17,531)	
Reduction for Debt Excess	(568,285)	(29,588)	538,697	
Adjustments	39,525	19,959	(19,566)	
<b>Total, Debt Service Fund</b>	<b>\$3,881,883</b>	<b>\$4,467,193</b>	<b>\$585,310</b>	<b>15.1%</b>
<b>Total Levy, All Funds</b>	<b>\$10,456,486</b>	<b>\$11,214,262</b>	<b>\$757,777</b>	<b>7.2%</b>
<b>Subtotal by Truth in Taxation Categories:</b>				
Voter Approved	3,488,560	3,724,961	236,400	
Other	6,967,925	7,489,302	521,376	
<b>Total</b>	<b>\$10,456,486</b>	<b>\$11,214,262</b>	<b>\$757,777</b>	<b>7.2%</b>

# Explanation of Levy Changes

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Category: General Fund – Local Optional Revenue

Change: +\$63,241

Use of Funds: General Operating Expenses

Reason for Change:

- Funding for Local Optional Revenue is provided through a combination of local tax levy and state aid
- Because District's total property value increased, share of funding provided through tax levy increased

# Explanation of Levy Changes

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Category: General Fund – Capital Project Referendum

Change: +\$57,962

Use of Funds: Technology Expenses

Reason for Change:

- Voter approved amount is a rate that is applied to the District's tax base
- District's tax base increased



# Explanation of Levy Changes

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Category: General Fund – Long Term Facilities Maintenance (LTFM)

Change: -\$84,082

Use of Funds: Deferred facility maintenance costs

Reason for Change:

- Funding for LTFM program in the General Fund is provided based on an allowance per pupil
- A decrease in enrollment is expected

# Explanation of Levy Changes

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Category: General Fund – Adjustments

Change: -\$58,064

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
- 2019 levy includes negative adjustments in several categories

# Explanation of Levy Changes

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Categories: Debt Service – Long Term Facilities Maintenance

Changes: +\$108,701

Use of Funds: Annual required payments of principal & interest on Alternative Facilities bonds

Reason for Changes:

- Increase in payments on District's Alternative Facilities Bonds

# Explanation of Levy Changes

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Category: Debt Service - Reduction for Debt Excess

Change: +538,697

Use of Funds: Payments on bonds

Reason for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Since 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 levy reduction for 2019 is lower than 2018

# Four Year School Levy Comparison

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Following are a table and graphs showing examples of changes in school district portion of property taxes from 2016 to 2019

Examples include school district taxes only

The first four examples are based on no increase in property value over this period

**Fridley Public Schools ISD 14**

**Estimated Changes in School Property Taxes, 2016 to 2019**

*Based on No Increases in Property Values*

Type of Property	Estimated Market Value	Actual Taxes Payable in 2016	Actual Taxes Payable in 2017	Actual Taxes Payable in 2018	Estimated Taxes Payable in 2019	Change in Taxes 2016 to 2019	Change in Taxes 2018 to 2019
Residential Homestead	\$100,000	\$552	\$529	\$536	\$519	-\$33	-\$17
	150,000	929	886	899	869	-60	-30
	200,000	1,306	1,243	1,262	1,220	-86	-42
	250,000	1,683	1,599	1,624	1,570	-113	-54
	300,000	2,060	1,956	1,987	1,921	-139	-66
	400,000	2,814	2,669	2,713	2,622	-192	-91
	500,000	3,526	3,345	3,399	3,285	-241	-114
	600,000	4,367	4,137	4,207	4,064	-303	-143
	800,000	6,049	5,722	5,822	5,623	-426	-199
1,000,000	7,731	7,307	7,437	7,182	-549	-255	
Commercial/ Industrial #	\$100,000	\$660	\$678	\$674	\$652	-\$8	-\$22
	250,000	1,816	1,861	1,854	1,790	-26	-64
	500,000	3,880	3,974	3,960	3,823	-57	-137
	750,000	5,945	6,087	6,067	5,855	-90	-212
	1,000,000	8,009	8,200	8,173	7,887	-122	-286
Apartments and Res. Non-Homestead ( 2 or more units)	\$100,000	\$841	\$792	\$808	\$779	-\$62	-\$29
	600,000	5,045	4,755	4,845	4,676	-369	-169
	1,000,000	8,409	7,924	8,076	7,794	-615	-282

# For commercial-industrial property, amounts above are for property in the City of Fridley. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

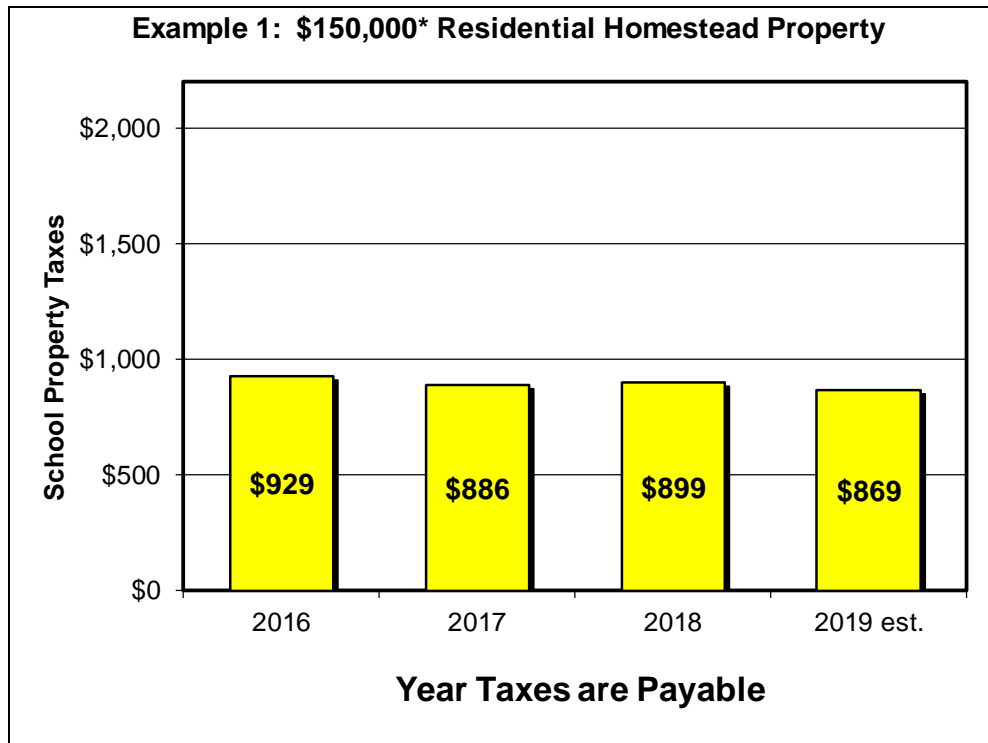
**General Notes**

1. Amounts 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 2019 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 2016 to 2019.

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**Estimated Changes in School Property Taxes, 2016 to 2019**

***Based on No Increases in Property Values***

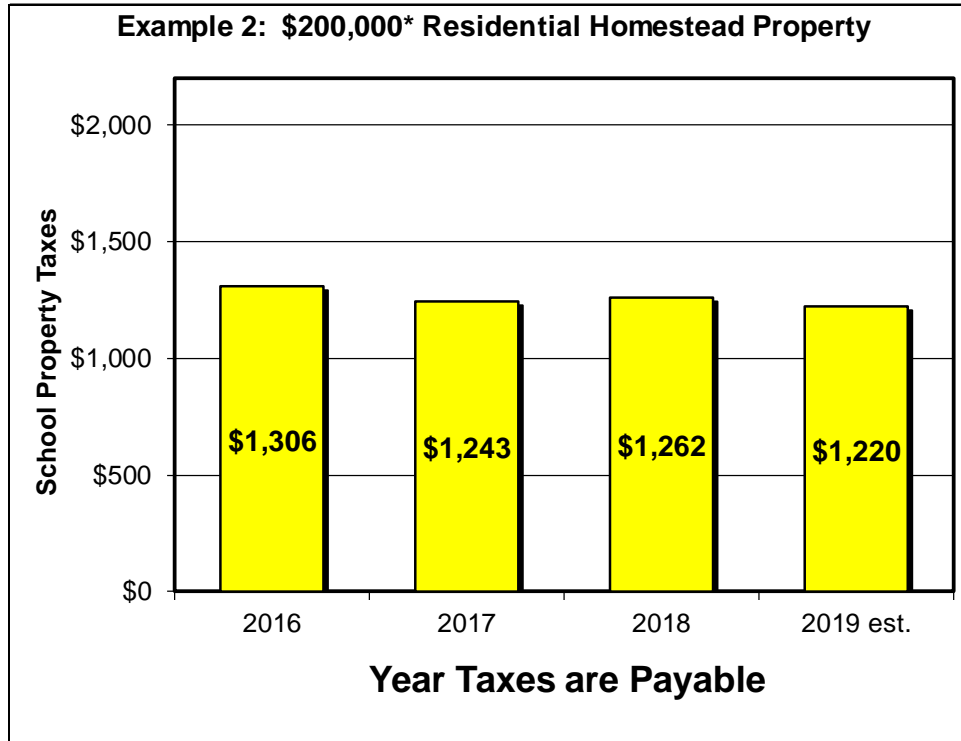


\* The value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on no changes in estimated market value from 2016 to 2019

**Fridley Public Schools ISD 14**

**Estimated Changes in School Property Taxes, 2016 to 2019**

*Based on No Increases in Property Values*



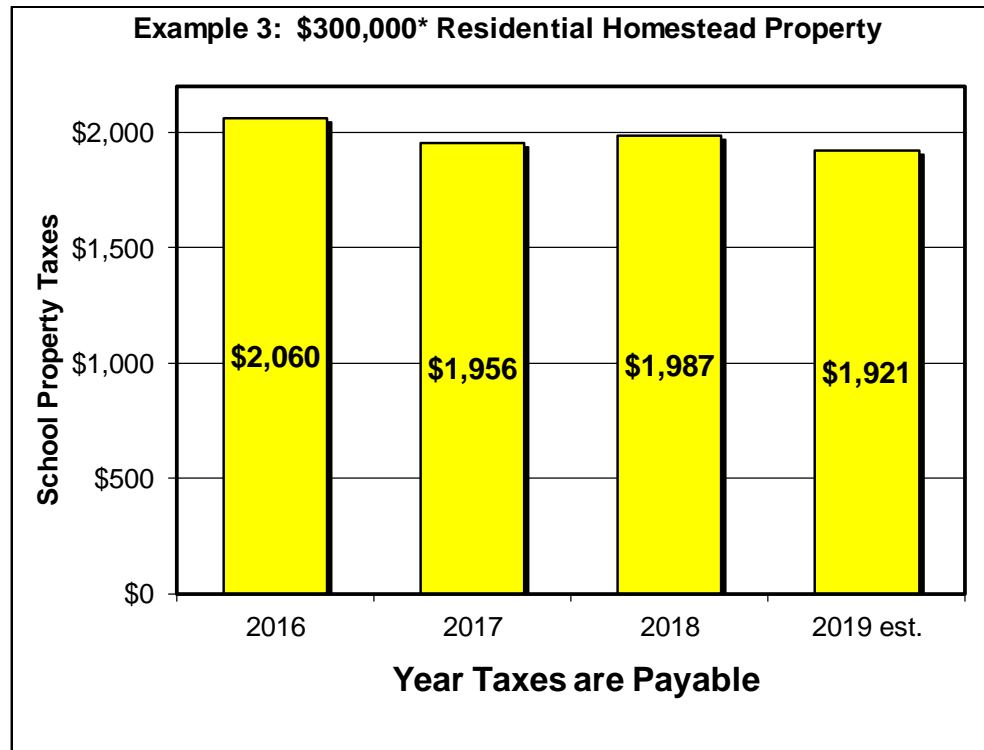
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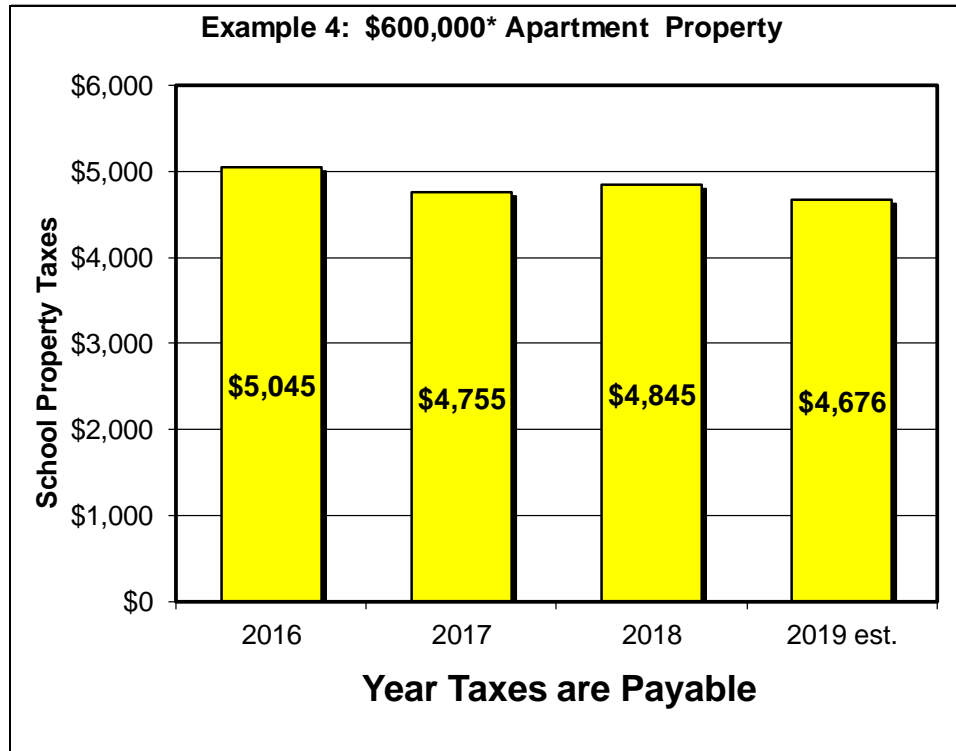


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**Fridley Public Schools ISD 14**

**Estimated Changes in School Property Taxes, 2016 to 2019**

*Based on No Increases in Property Values*



\* The value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on no changes in estimated market value from 2016 to 2019

# Four Year School Levy Comparison

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Following are a table and graphs showing examples of changes in school district portion of property taxes from 2016 to 2019

Examples include school district taxes only

The following example is based on a 26% increase in property value over this period.

- Actual changes in value may be more or less than this for any parcel of property
- Intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties

**Fridley Public Schools ISD 14**

**Estimated Changes in School Property Taxes, 2016 to 2019**

*Based on 26.0% Cumulative Changes in Property Value from 2016 to 2019 Taxes*

Type of Property	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	Estimated Market Value for 2017 Taxes	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Estimated Taxes Payable in 2019	Change in Taxes 2016 to 2019	Change in Taxes 2018 to 2019
Residential Homestead	\$79,390	\$397	\$86,535	\$433	\$92,593	\$482	\$100,000	\$519	\$122	\$37
	119,085	696	129,803	742	138,889	818	150,000	869	173	51
	158,780	995	173,070	1,051	185,185	1,154	200,000	1,220	225	66
	198,475	1,295	216,338	1,359	231,481	1,490	250,000	1,570	275	80
	238,170	1,594	259,605	1,668	277,778	1,826	300,000	1,921	327	95
	317,560	2,193	346,141	2,285	370,370	2,498	400,000	2,622	429	124
	396,950	2,791	432,676	2,894	462,963	3,148	500,000	3,285	494	137
	476,340	3,359	519,211	3,497	555,556	3,848	600,000	4,064	705	216
	635,120	4,663	692,281	4,868	740,741	5,344	800,000	5,623	960	279
793,900	5,998	865,351	6,240	925,926	6,839	1,000,000	7,182	1,184	343	
Commercial/ Industrial #	\$79,390	\$524	\$86,535	\$586	\$92,593	\$624	\$100,000	\$652	\$128	\$28
	198,475	1,390	216,338	1,577	231,481	1,698	250,000	1,790	400	92
	396,950	3,029	432,676	3,405	462,963	3,648	500,000	3,823	794	175
	595,425	4,668	649,013	5,233	694,444	5,599	750,000	5,855	1,187	256
	793,900	6,307	865,351	7,062	925,926	7,549	1,000,000	7,887	1,580	338
Apartments and Res. Non-Homestead ( 2 or more units)	\$79,390	\$668	\$86,535	\$686	\$92,593	\$748	\$100,000	\$779	\$111	\$31
	476,340	4,005	519,211	4,114	555,556	4,486	600,000	4,676	671	190
	793,900	6,676	865,351	6,857	925,926	7,477	1,000,000	7,794	1,118	317

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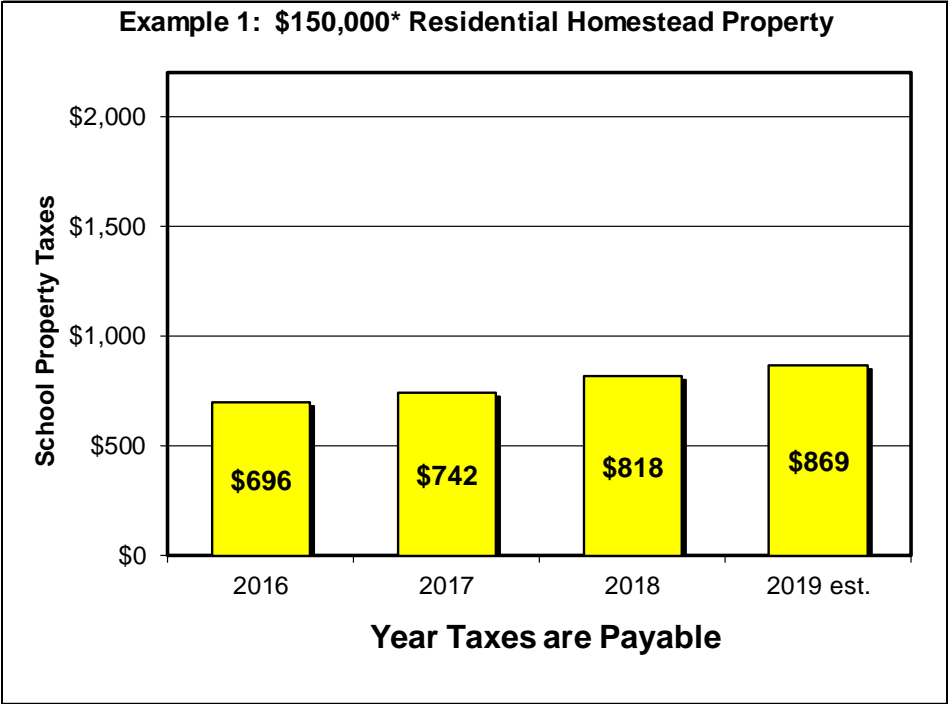
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2. Estimates of taxes payable in 2019 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 9.0% from 2016 to 2017 taxes, 7.0% from 2017 to 2018, and 8.0% from 2018 to 2019.

**Fridley Public Schools ISD 14**

**Estimated Changes in School Property Taxes, 2016 to 2019**

*Based on 26.0% Cumulative Changes in Property Value from 2016 to 2019 Taxes*



\* The value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 9.0% from 2016 to 2017 taxes, 7.0% from 2017 to 2018, and 8.0% from 2018 to 2019.

# Factors Impacting Individual Taxpayers' School Taxes

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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

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1

Board will accept public comments on proposed levy

2

Board will certify 2019 property tax levy

Public  
Comments



**FRIDLEY**  
PUBLIC SCHOOLS



*A World-Class Community of Learners*