Richfield Public Schools, ISD 280

Public Hearing for Taxes Payable in 2021

DECEMBER 7, 2020

PRESENTED BY:

CRAIG HOLJE,

CHIEF HUMAN RESOURCES & ADMINISTRATIVE OFFICER

Minnesota State Law Requires:

A Public Meeting…

- Between November 25th & December 28th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

…and Presentation of:

- Current year budget
- Proposed property tax levy

Hearing Agenda

- Background Information on School Funding
- District’s Budget
- District’s Proposed Tax Levy for Taxes Payable in 2021
- Public Comments

MN Legislature Must Set Funding for Minnesota Public Schools

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…

Funding is Highly Regulated

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 in November)

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

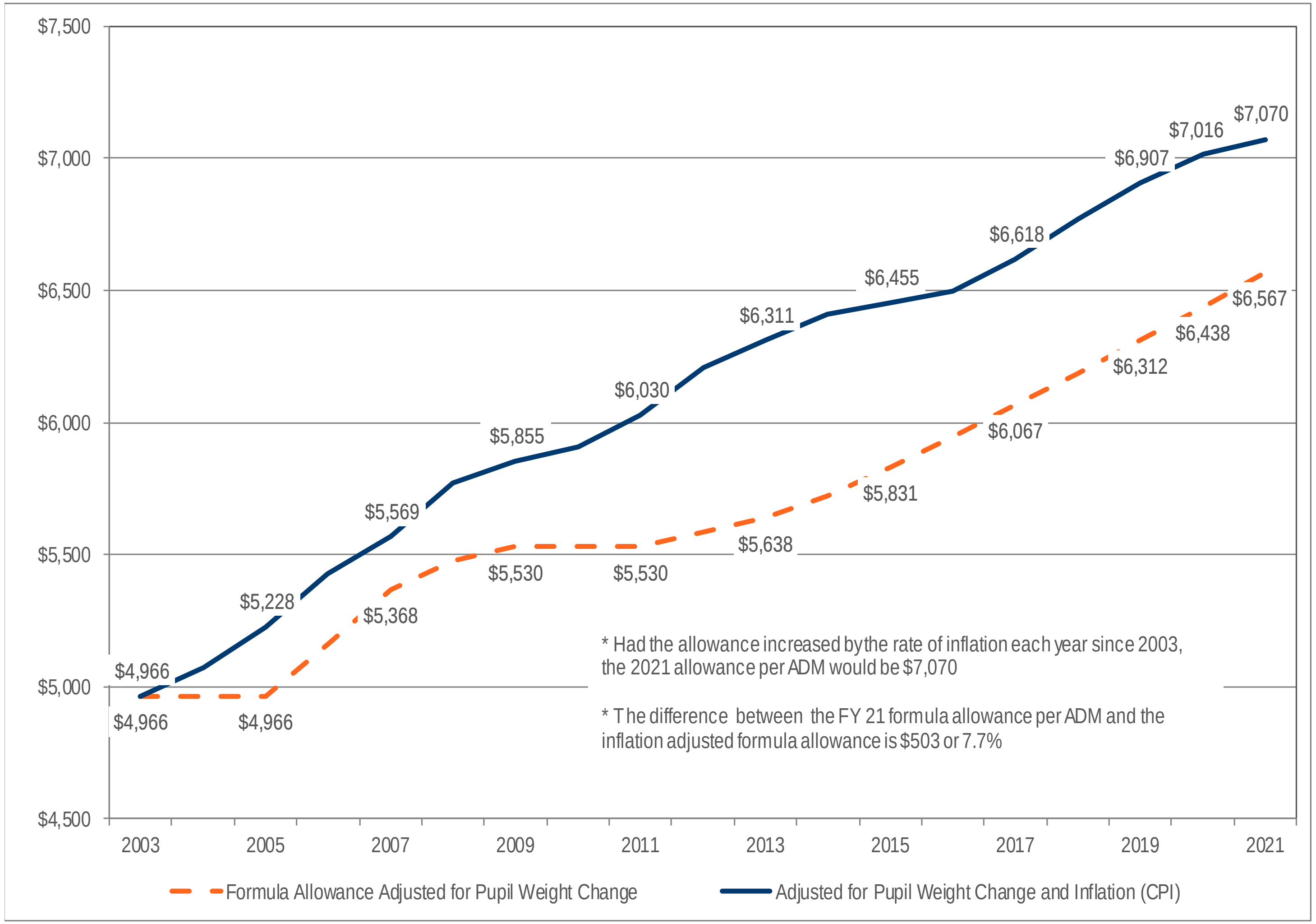
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, an increase of 2% or $129 over previous year was approved
- No additional changes to formula have been approved by legislature

Per-pupil allowance for Fiscal Year 2020-21 of $6,567 would need to increase by another $503 (7.7%) to have kept pace with inflation since 2002-03

General Education Formula Allowance, 2003-2021

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2020 Inflation Estimates

Underfunding of Special Education

MDE reports FY 2018 cost of providing special education programs was underfunded by $822 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of $5,705 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 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging $1,570 per pupil
  - Of this amount, $846 is a voter approved operating referendum, and $724 is Local Optional Revenue (LOR)
  - Statewide, referendum revenue including Local Optional Revenue (LOR) provides 14.3% of General Fund operating revenue

Change in Tax Levy does not Determine Change in Budget

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
- 2021 taxes provide revenue for 2021 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2021 taxes provide revenue for 2021-22 school fiscal year
- Budget will be adopted in June 2021

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires *only current year budget information be presented at this hearing. Fiscal Year 2021-22 budget will be adopted by School Board in June 2021.*

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
- Trust*
- Internal Service
- OPEB Irrevocable Trust
- OPEB Debt Service

**Annual budgets are not prepared for these funds*

Richfield Public Schools, ISD 280

District Revenues and Expenditures

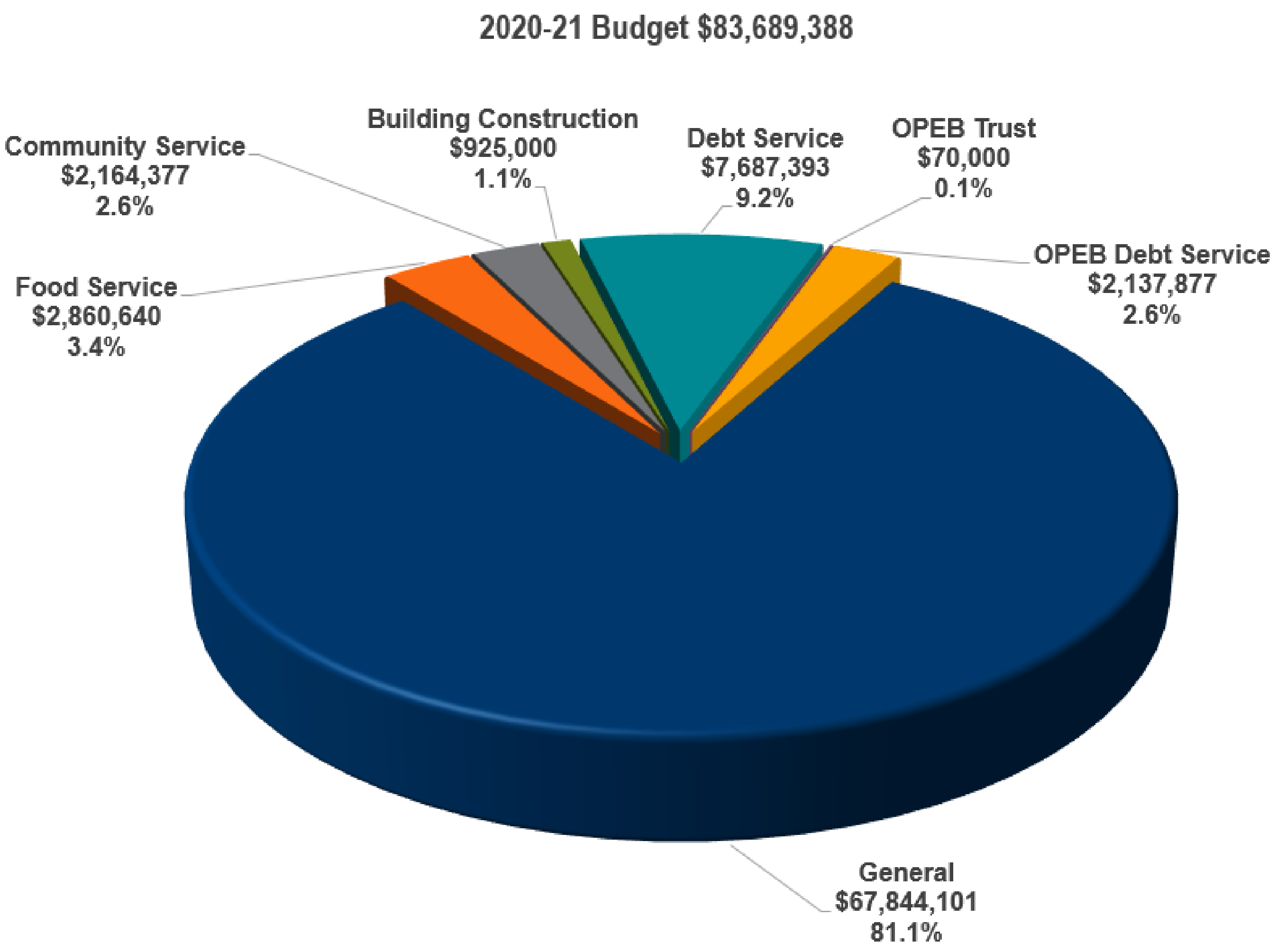
Actual for FY 2020, Budget for FY 2021

FUND	FISCAL 2020 BEGINNING FUND BALANCES	2019-20 ACTUAL REVENUES & TRANSFERS IN	2019-20 ACTUAL EXPENDITURES & TRANSERS OUT	JUNE 30, 2020 ACTUAL FUND BALANCES	2020-21 BUDGET REVENUES & TRANSERS IN	2020-21 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2021 PROJECTED FUND BALANCES
General/Restricted	$2,482,106	$18,711,328	$16,928,756	$4,264,678	$15,371,221	$15,495,022	$4,140,877
General/Other	8,802,606	49,661,956	46,531,490	11,933,072	52,472,880	53,887,384	10,518,568
Food Service	532,885	2,684,713	2,980,090	237,508	2,860,640	2,819,342	278,806
Community Service	584,751	1,957,664	1,941,755	600,660	2,164,377	2,070,408	694,629
Building Construction	106,812,198	2,184,625	65,066,268	43,930,555	925,000	38,530,269	6,325,286
Debt Service	945,688	8,469,549	8,105,988	1,309,249	7,687,393	7,245,988	1,750,654
Trust	456,436	8,908	444,391	20,953	46,500	46,500	20,953
Internal Service	5,292,586			5,967,601			5,193,372
OPEB* Irrevocable Trust	9,455,224	247,051	816,085	8,886,190	70,000	735,000	8,221,190
OPEB* Debt Service	177,616	811,277	783,025	205,868	2,137,877	2,021,800	321,945
Total All Funds	**$135,542,096**	**$84,737,071**	**$143,597,848**	**$77,356,334**	**$83,735,888**	**$122,851,713**	**$37,466,280**

***Other Post Employment Benefits**

Richfield Public Schools, ISD 280

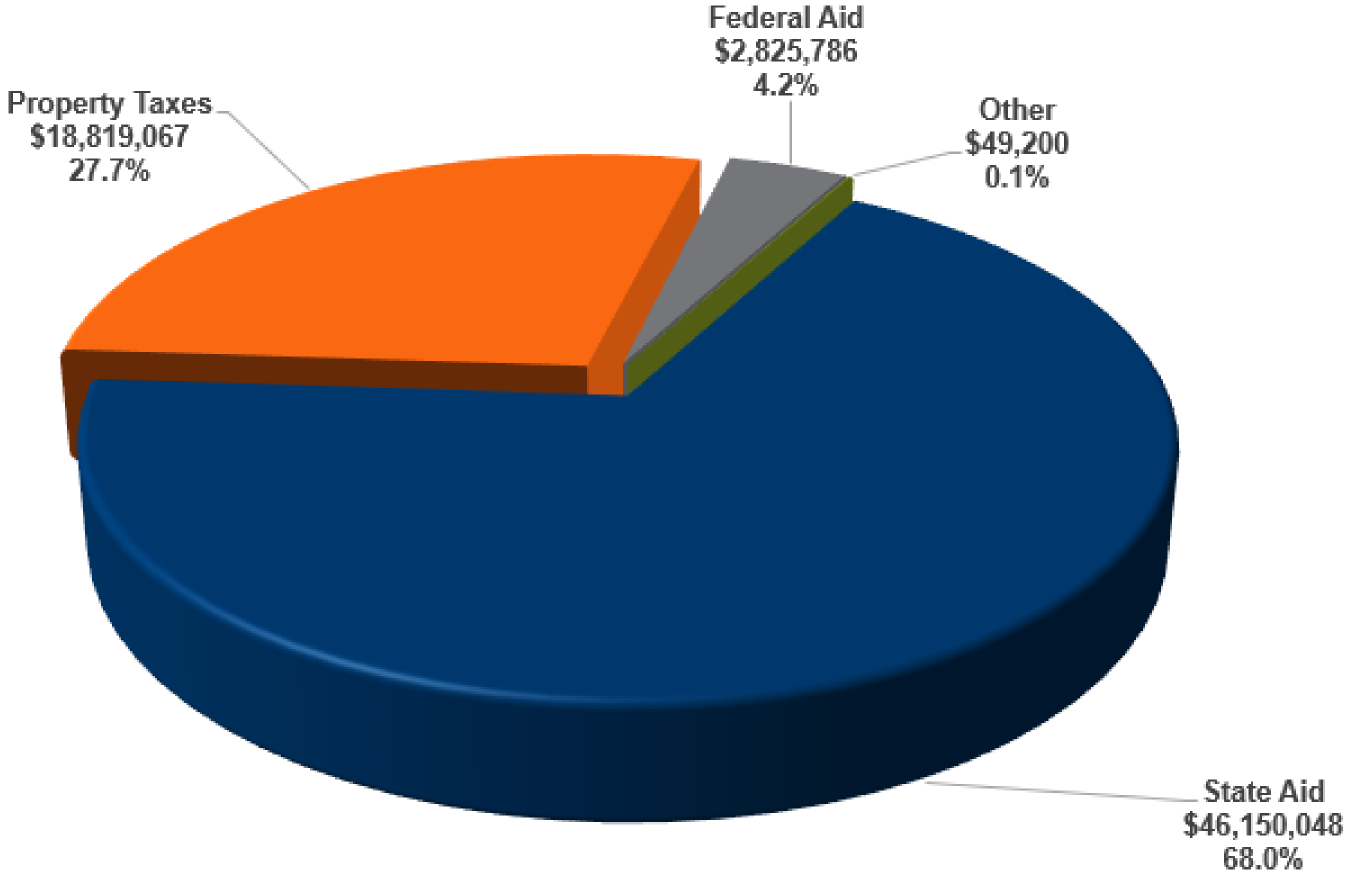
Revenue - All Funds



Richfield Public Schools, ISD 280

General Fund Revenue

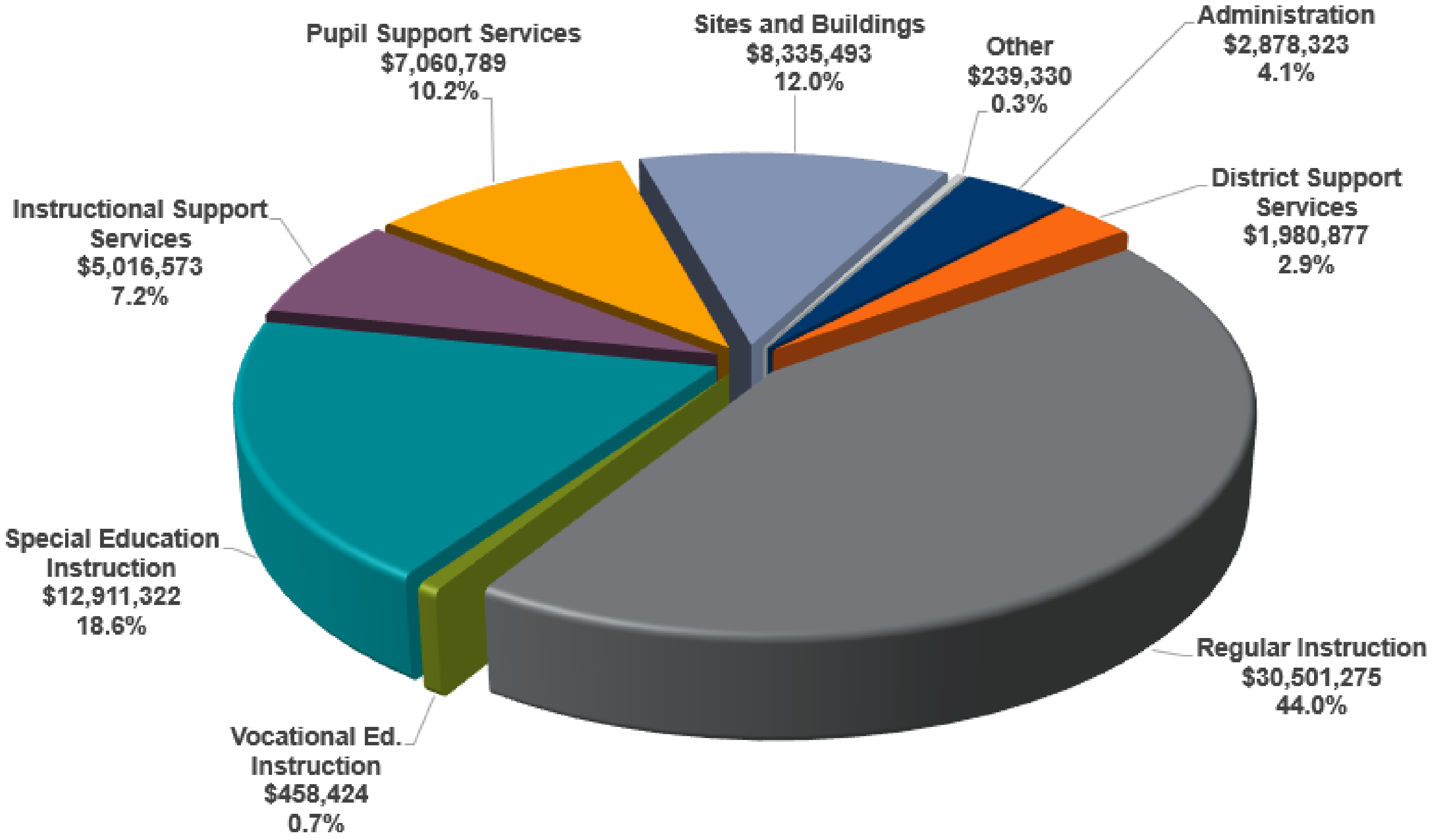
2020-21 Budget $67,844,101



Richfield Public Schools, ISD 280

General Fund Expenditures by Program

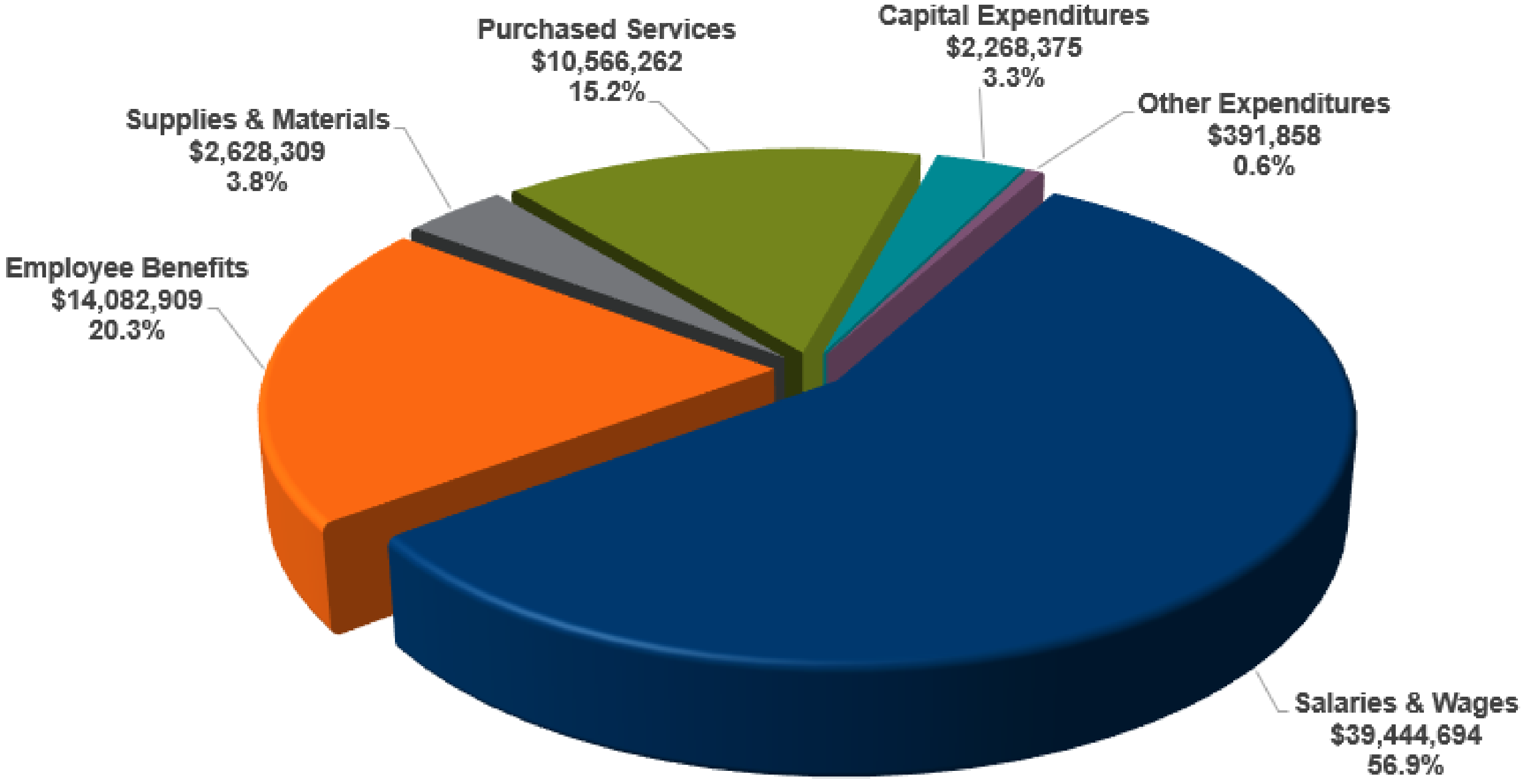
2020-21 Budget $69,382,406



Richfield Public Schools, ISD 280

General Fund Expenditures by Object

2020-21 Budget $69,382,406



Payable 2021 Property Tax Levy

- Determination of levy
- Comparison of 2020 to 2021 levies
- 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

Sample of parcel specific notice mailed to every property owner between November 11 & November 24 with information on impact of Proposed 2021 levy

Contents:

- Proposed property taxes compared to last year
- By taxing jurisdiction
- Contains time and place of public meetings
- By voter approved and other for school district

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 Subdivison

PROPOSED TAXES 2021

THIS IS NOT A BILL. DO NOT PAY.

Step 1 — VALUES AND CLASSIFICATION

Taxes Payable Year	2020	2021
Estimated Market Value	$125,000	$150,000
Homestead Exclusion	$	$23,800
Taxable Market Value	$125,000	$126,200
Class	Res NHmstd	Res Hmstd

Step 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

Step 3 — PROPERTY TAX STATEMENT
Coming in 2021

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 2020	Proposed 2021	
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 4, 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) 123-6789	December 10, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		$289.35	$296.68	
Other Levies		$340.11	$374.60	

Your school district was scheduled to hold a referendum at the November general election. If the referendeum was approved by the voters, the school district's voter approved property tax for 2021 may be higher than the proposed amount shown on this notice.

Contact Information	Meeting Information	Actual 2020	Proposed 2021	
Metro Special Taxing Districts		$57.76	$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 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		**$1,422.02**	**$1,550.46**	**9.0%**

School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts for each category are set by:
  - State law
  - Voter approval

Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

School District Property Tax Process

Step 1. City or County Assessor determines estimated market value for each parcel of property in county.

Step 2. Legislature sets formulas for tax capacity. (E.g., for homestead residential property, tax capacity = 1% of first $500,000 in value + 1.25% of value over $500,000.) These formulas determine how much of tax burden will fall on different types of property.

Step 3. County Auditor calculates tax capacity for each parcel of property in county (based on values from step 1 and tax capacity formulas from step 2), as well as total tax capacity for each school district.

Step 4. Legislature sets formulas which determine school district levy limits. These are maximum amounts of taxes school districts can levy in every category.

Step 5. Minnesota Department of Education calculates detailed levy limits for each school district, based on formulas approved by Legislature in step 4. These limits tell districts exact amounts that can be levied in every category.

Step 6. School Board adopts a proposed levy in September, based on limits set in step 5. After a public hearing, board adopts a final levy in December. Final levy cannot be more than proposed levy, except for amounts approved by voters.

Step 7. County Auditor divides final levy (determined by school board in step 6) by district's total tax capacity (determined in step 3) to determine tax rate needed to raise proper levy amount. Auditor multiplies this tax rate times each property's tax capacity, to determine school tax for that property.*

Step 7*. For certain levy categories (referendum, equity & transition levies), tax rates & levy amounts are based on referendum market value, rather than tax capacity.

Schedule of Events in Approval of District’s 2020 (Payable 2021) Tax Levy

September 8: MDE prepared and distributed first draft of levy limit report setting maximum authorized levy

September 21: School Board approved proposed levy amounts

Mid-November: County mailed “Proposed Property Tax Statements” to all property owners

December 7: Public hearing on proposed levy at regular meeting

Following hearing, School Board will certify final levy amounts

Overview of Proposed Levy Payable in 2021

- Proposed property tax levy for 2021 is a decrease from 2020 of $1,111,371.49 or 4.0%
- Reasons for major increases and decreases in levy are included on following slides

Richfield Public Schools, ISD 280

Comparison of Actual Tax Levy Payable in 2020 to Proposed Levy Payable in 2021

Fund Levy Category	Actual Levy Payable in 2020	Proposed Levy Payable in 2021	$ Change	% Change
General				
Voter Approved Referendum	4,977,469.22	4,875,260.40	($102,209)	
Local Optional Revenue (LOR)	3,232,944	3,166,553	(66,391)	
Equity	477,942	471,736	(6,206)	
Capital Projects - Technology	3,539,086	3,741,564	202,478	
Operating Capital	614,042	623,787	9,745	
Alternate Teacher Compensation	410,117	404,815	(5,302)	
Safe Schools	160,765	223,074	62,309	
Long Term Facilities Maintenance	1,752,081	1,715,771	(36,310)	
Instructional Lease	824,594	846,728	22,134	
Other	1,539,252	1,557,567	18,315	
Prior Year Adjustments	(5,047)	(643,238)	(638,191)	
Total, General Fund	$17,523,246	$16,983,618	($539,627)	-3.1%
Community Service				
Basic Community Education	$287,666	$287,666	$0	
Early Childhood Family Education	168,473	160,580	(7,893)	
Other	11,354	10,693	(660)	
Prior Year Adjustments	6,027	2,984	(3,042)	
Total, Community Service Fund	$473,519	$461,923	($11,596)	-2.4%
Debt Service				
Voter Approved	$3,410,033	$3,410,033	$0	
Long-Term Facility Maintenance	4,193,004	4,197,258	4,254	
Other Post Employment Benefits	2,122,365	2,134,178	11,813	
Reduction for Debt Excess	0	(608,700)	(608,700)	
Prior Year Adjustments	79,868	112,353	32,485	
Total, Debt Service Fund	$9,805,271	$9,245,122	($560,148)	-5.7%
Total Levy, All Funds	**$27,802,035**	**$26,690,663**	**($1,111,371)**	**-4.0%**
Subtotal by Truth in Taxation Categories:				
Voter Approved	12,147,517	11,649,011	(498,506)	
Other	15,654,518	15,041,652	(612,866)	
Total	**$27,802,035**	**$26,690,663**	**($1,111,371)**	**-4.0%**

Explanation of Levy Changes

Categories: Voter Approved Operating Referendum & Local Optional Revenue (LOR)

Changes: Net change -$168,600

Use of Funds: General Operating Expenses

Reason for Changes:

- Voter approved operating referendum authority based on current year student count that is lower than prior year

Explanation of Levy Changes

Category: Capital Project Levy

Change: $202,478

Use of Funds: Instructional technology software, hardware and support

Reason for Change:

- Levy is based on a voter approved tax rate applied to tax base
- Levy increase relates to an increase in tax base

Explanation of Levy Changes

Category: General Fund - Prior Year Adjustments

Change: -$638,191

Use of Funds: General Operating Expenses

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
- Negative adjustments in several categories for taxes payable in 2021 were greater than the adjustments for taxes payable in 2020

Explanation of Levy Changes

Categories: Debt Excess

Changes: -$608,700

Use of Funds: Payments on bonds

Reason for Increase:

- 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

Factors Impacting Individual Taxpayers' School Taxes

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

Four Year School Levy Comparison

- Following slides show examples of changes in school district portion of property taxes from 2018 to 2021
- Examples include school district taxes only
- All examples are based on a 16.3% increase in property value over this four-year 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 happened to school district property taxes over this period for typical properties

Impact on Taxpayers

- Examples are for property in City of Richfield
- Amounts for 2021 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

Richfield Public Schools, ISD 280

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Type of Property	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Actual Taxes Payable in 2020	Estimated Market Value for 2021 Taxes	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	$85,994	$359	$92,013	$362	$96,154	$363	$100,000	$346	-$13	-$17
	128,991	607	138,020	605	144,231	606	150,000	576	-31	-30
	171,987	856	184,026	849	192,308	849	200,000	806	-50	-43
	214,984	1,104	230,033	1,092	240,385	1,091	250,000	1,036	-68	-55
	257,981	1,353	276,040	1,335	288,462	1,334	300,000	1,266	-87	-68
	300,978	1,601	322,046	1,578	336,538	1,576	350,000	1,496	-105	-80
	343,975	1,850	368,053	1,821	384,615	1,819	400,000	1,726	-124	-93
	429,968	2,341	460,066	2,294	480,769	2,284	500,000	2,162	-179	-122
	515,962	2,824	552,079	2,796	576,923	2,804	600,000	2,671	-153	-133
	644,953	3,646	690,099	3,599	721,154	3,607	750,000	3,434	-212	-173
Commercial/ Industrial #	$171,987	$950	$184,026	$991	$192,308	$941	$200,000	$912	-$38	-$29
	429,968	2,648	460,066	2,742	480,769	2,591	500,000	2,507	-141	-84
	859,937	5,478	920,132	5,659	961,538	5,341	1,000,000	5,166	-312	-175
	1,289,905	8,308	1,380,199	8,576	1,442,308	8,091	1,500,000	7,825	-483	-266
	1,719,874	11,137	1,840,265	11,494	1,923,077	10,840	2,000,000	10,484	-653	-356
Apartments and Res. Non-Homestead (2 or more units)	$429,968	$2,739	$460,066	$2,677	$480,769	$2,677	$500,000	$2,543	-$196	-$134
	644,953	4,109	690,099	4,016	721,154	4,015	750,000	3,815	-294	-200
	1,289,905	8,218	1,380,199	8,031	1,442,308	8,030	1,500,000	7,630	-588	-400

General Note

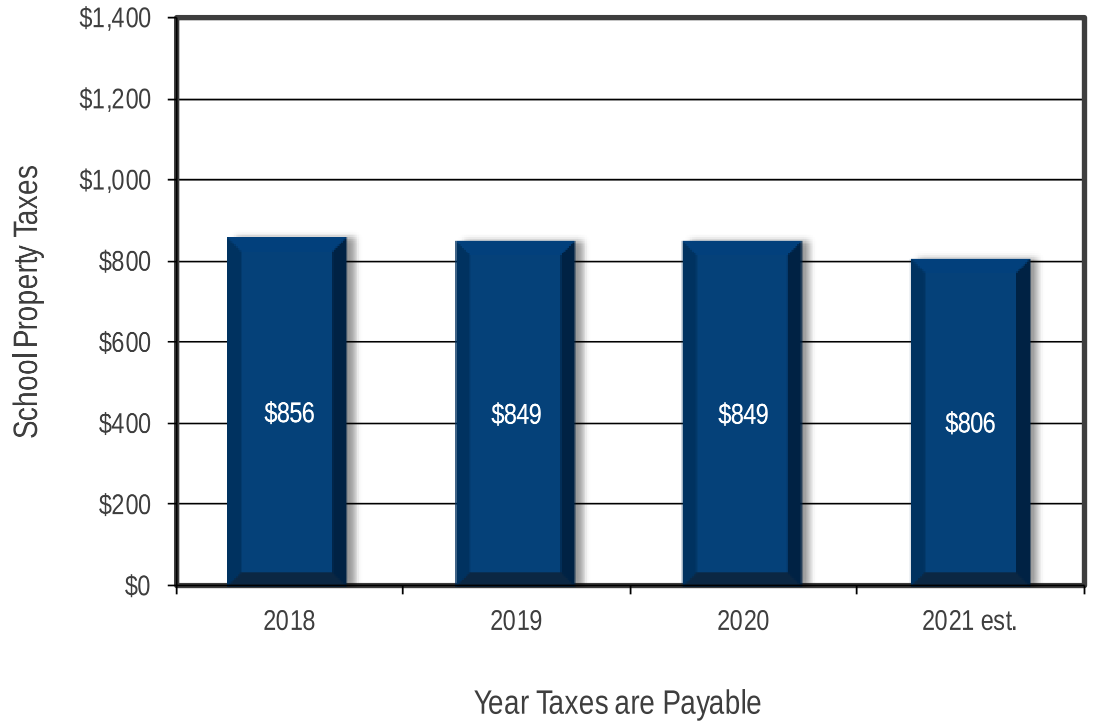
1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 7.0% from 2018 to 2019 taxes, 4.5% from 2019 to 2020, and 4.0% from 2020 to 2021.

Richfield Public Schools, ISD 280

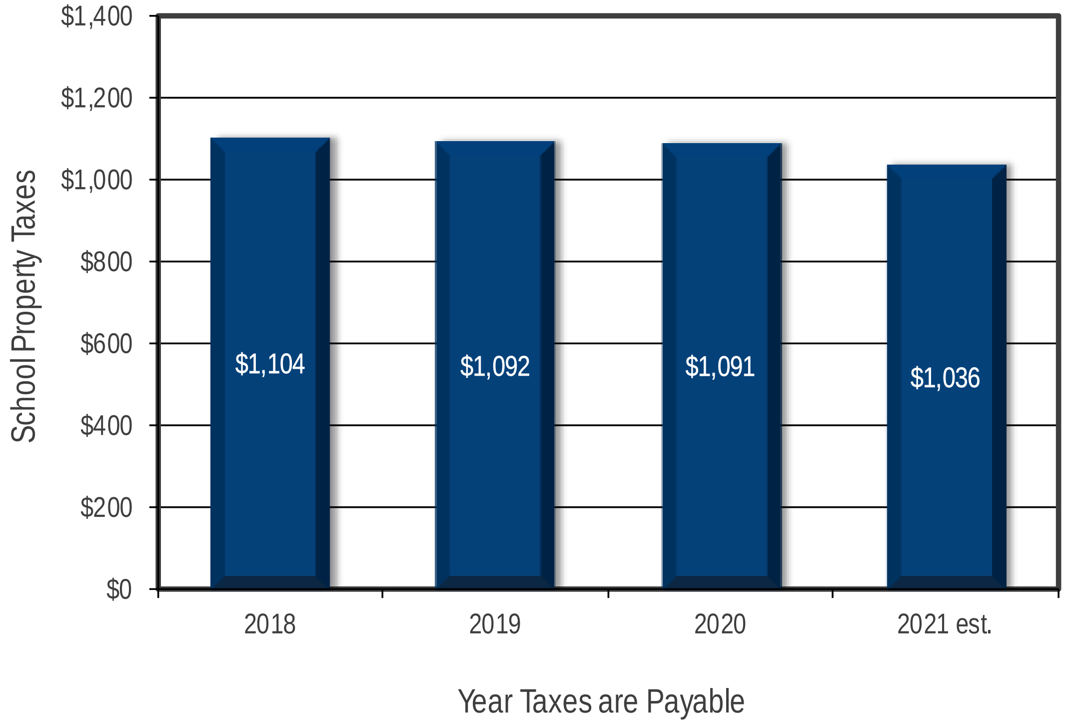
Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Example 1: $200,000* Residential Homestead Property



Example 2: $250,000* Residential Homestead Property



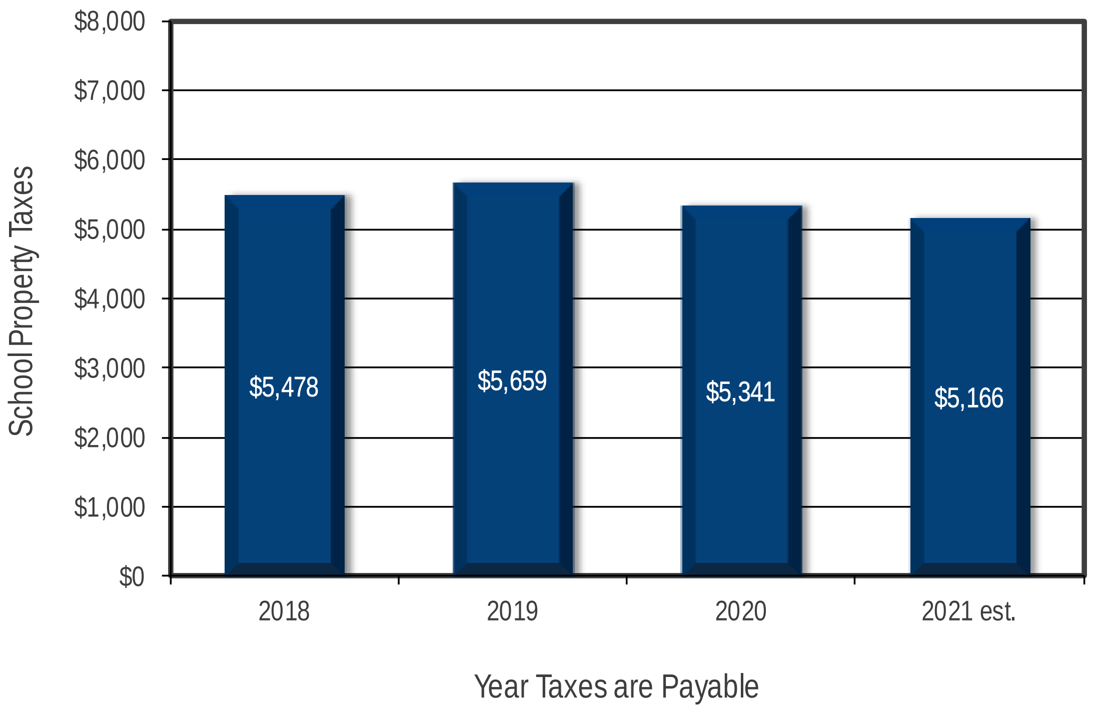
* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 7.0% from 2018 to 2019 taxes, 4.5% from 2019 to 2020, and 4.0% from 2020 to 2021.

Richfield Public Schools, ISD 280

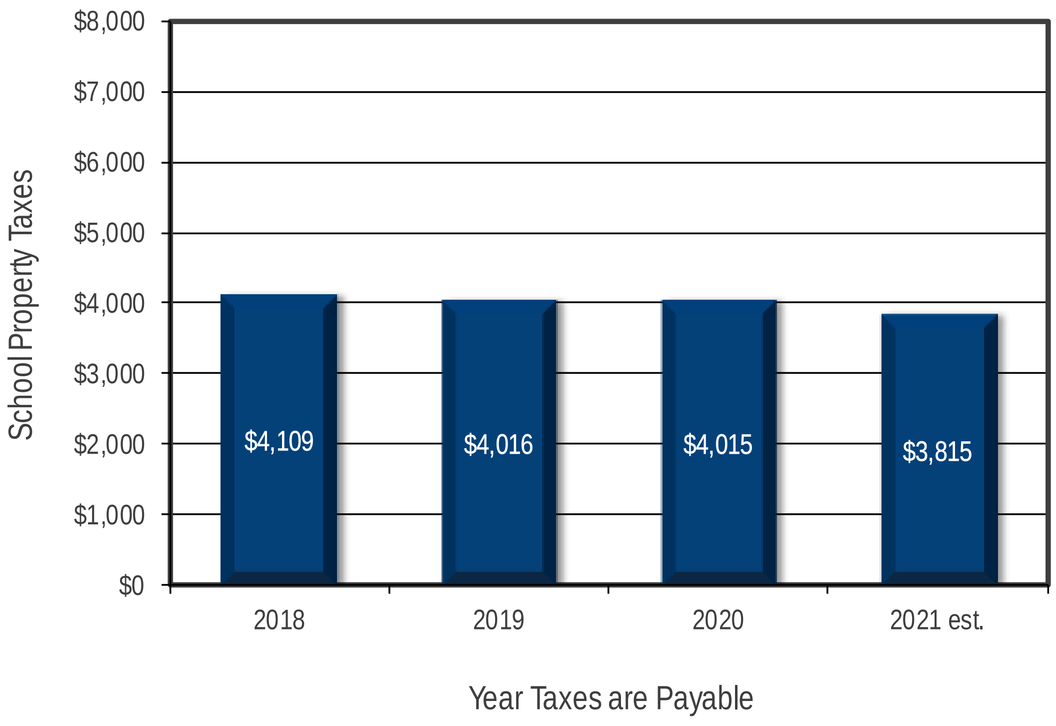
Estimated Changes in School Property Taxes, 2018 to 2021

Based on 16.3% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Example 3: $1,000,000* Commercial-Industrial Property



Example 4: $750,000* Apartment - Non Residential Homestead



* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 7.0% from 2018 to 2019 taxes, 4.5% from 2019 to 2020, and 4.0% from 2020 to 2021.

Minnesota Homestead Credit Refund
“Circuit Breaker”

- Has existed since 1970s
- Available each year to owners of homestead property
  (applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately $115,020 or less
  (income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is $2,820
- Also available to renters
- Complete state tax form M-1PR (www.revenue.state.mn.us)

Minnesota Special Property Tax Refund

Available each year to owners of homestead properties with a gross tax increase of at least 12% and $100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or $100, up to a maximum of $1,000

No income limits

Complete state tax form M1PR (www.revenue.state.mn.us)

Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of $60,000 or less to defer a portion of property taxes on home
- Must have lived in, owned, and homesteaded for last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax paid will not change while participating in program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps

1

Board will accept public comments on proposed levy

2

Board will certify 2021 property tax levy

RICHFIELD
PUBLIC SCHOOLS

PUBLIC COMMENTS