

South St. Paul
Public Schools



South St. Paul Public Schools

Public Hearing for Taxes Payable in 2018

DECEMBER 11, 2017

PRESENTED BY: AARON BUSHBERGER, FINANCE DIRECTOR

Agenda for Hearing



1. Background on School Funding, Property Tax Levies, and Budgets
2. Information on District Budget
3. Information on District's Proposed Tax Levy for Taxes Payable in 2018
4. Public Comments

School funding is highly regulated by the state

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

- 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

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

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

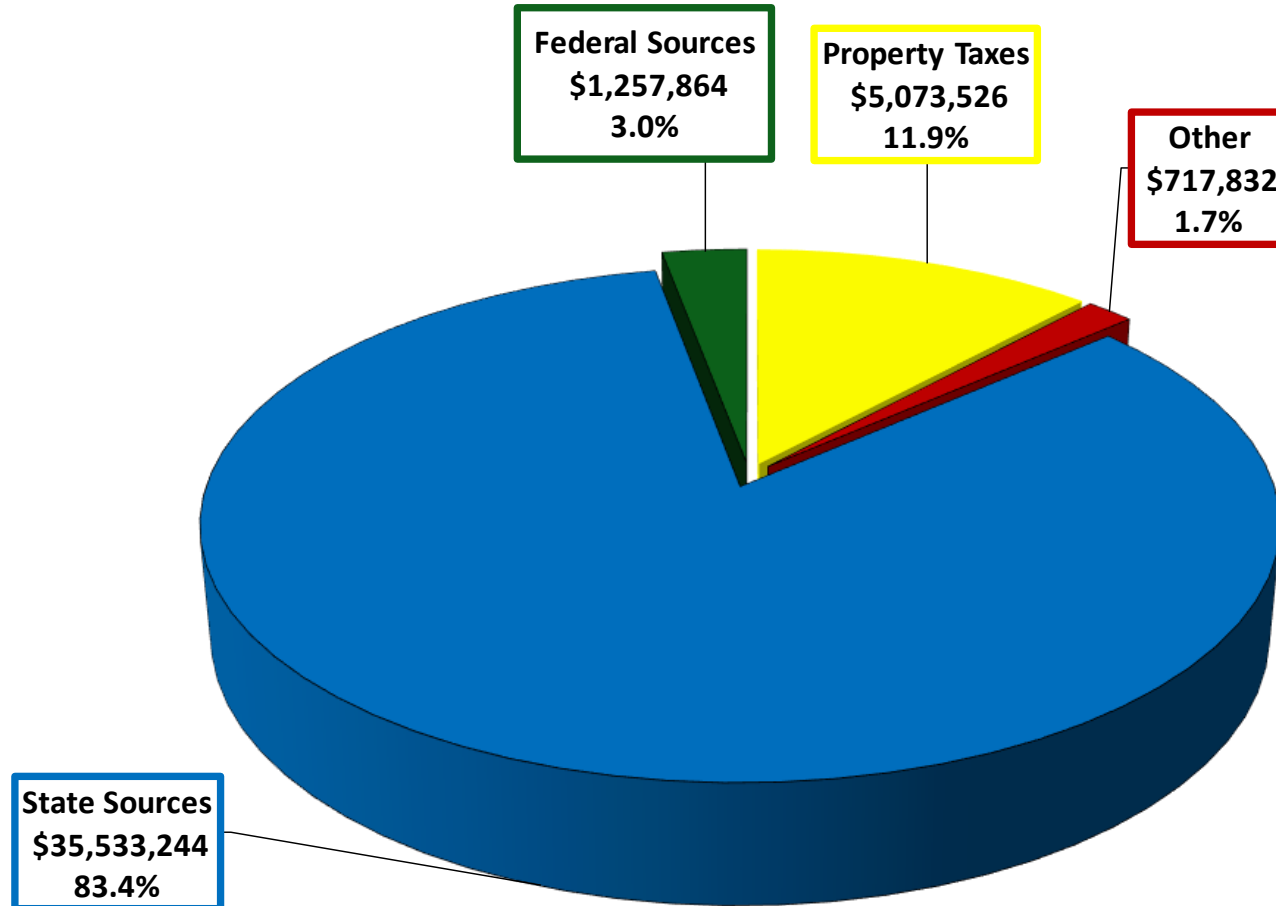
**Annual budgets are not prepared for this fund*

**South St. Paul Public Schools
District Revenues and Expenditures
Actual for FY 2017, Budget for FY 2018**

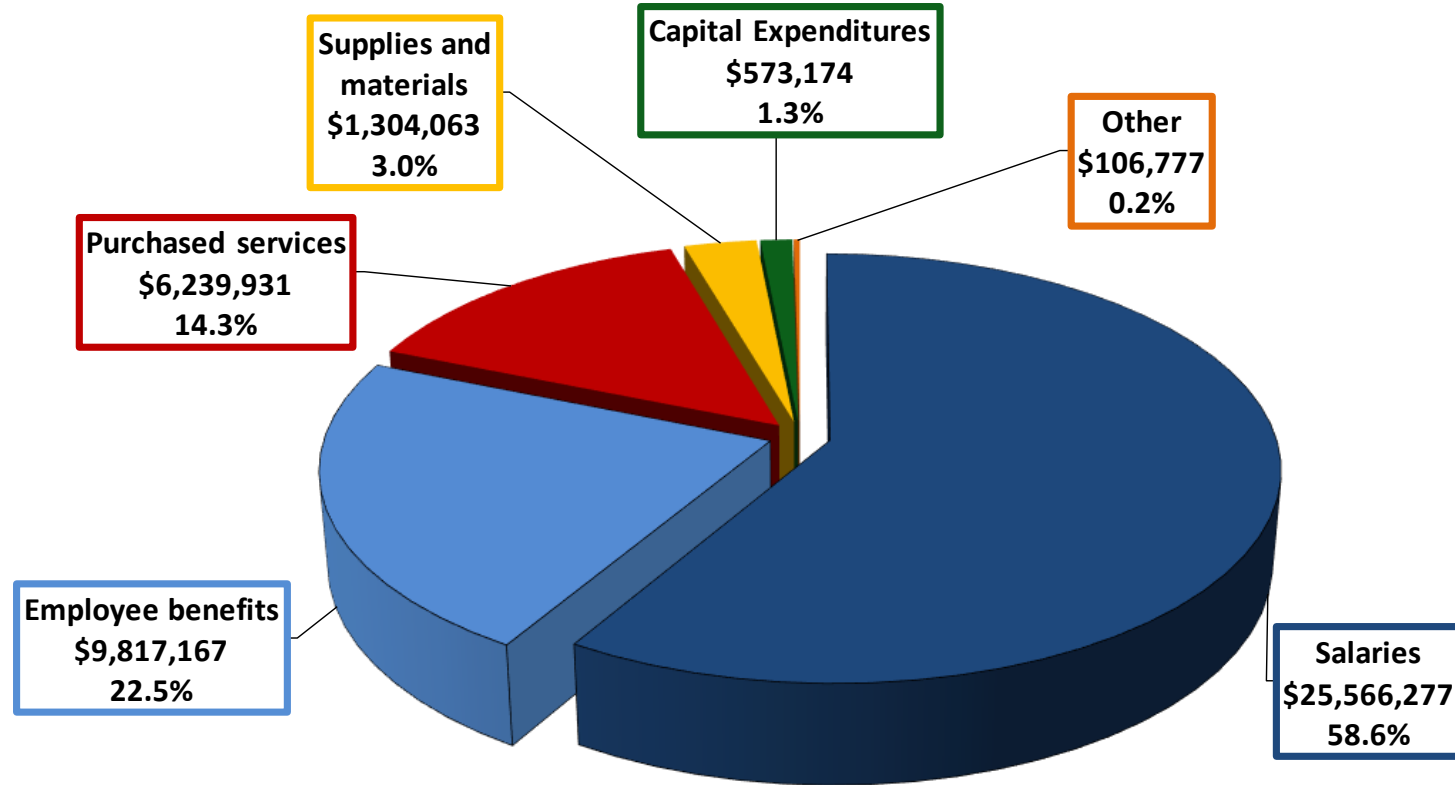
FUND	FISCAL 2017 BEGINNING FUND BALANCES	2016-17 ACTUAL REVENUES AND TRANSFERS IN	2016-17 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2017 ACTUAL FUND BALANCE	2017-18 BUDGET REVENUES AND TRANSFERS IN	2017-18 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30 ,2018 PROJECTED FUND BALANCE
General/Restricted	\$ 1,091,763	\$ 8,878,553	\$ 8,447,729	\$ 1,522,587	\$ 9,220,872	\$ 9,204,889	\$1,538,570
General/Other	\$ 7,280,938	\$ 34,031,872	\$ 34,543,087	\$ 6,769,723	\$ 33,361,594	\$ 34,402,500	5,728,817
Food Service	\$ 922,684	\$ 2,030,031	\$ 2,039,347	\$ 913,368	\$ 1,997,025	\$ 2,245,045	665,348
Community Service	\$ 299,490	\$ 2,572,339	\$ 2,442,461	\$ 429,368	\$ 2,250,601	\$ 2,358,228	321,741
Building Construction	\$ 162,237	\$ 590	\$ 162,827	\$ -	\$ -	\$ -	-
Debt Service	\$ 282,515	\$ 2,471,019	\$ 2,404,118	\$ 349,416	\$ 2,527,122	\$ 2,405,138	471,400
Trust	\$ 60,581	\$ 235,183	\$ 214,031	\$ 81,733	\$ -	\$ -	81,733
Internal Service	\$ -			\$ 35,977			35,977
OPEB* Revocable Trust	\$ 844,373	\$ 951,623	\$ 984,630	\$ 811,366	\$ -	\$ -	811,366
OPEB* Debt Service	\$ 154,065	\$ 720,304	\$ 716,935	\$ 157,434	\$ 721,190	\$ 718,073	160,551
Total All Funds	\$11,098,646	\$51,891,514	\$51,955,165	\$11,070,972	\$50,078,404	\$51,333,873	\$9,815,503

*Other Post-Employment Benefits

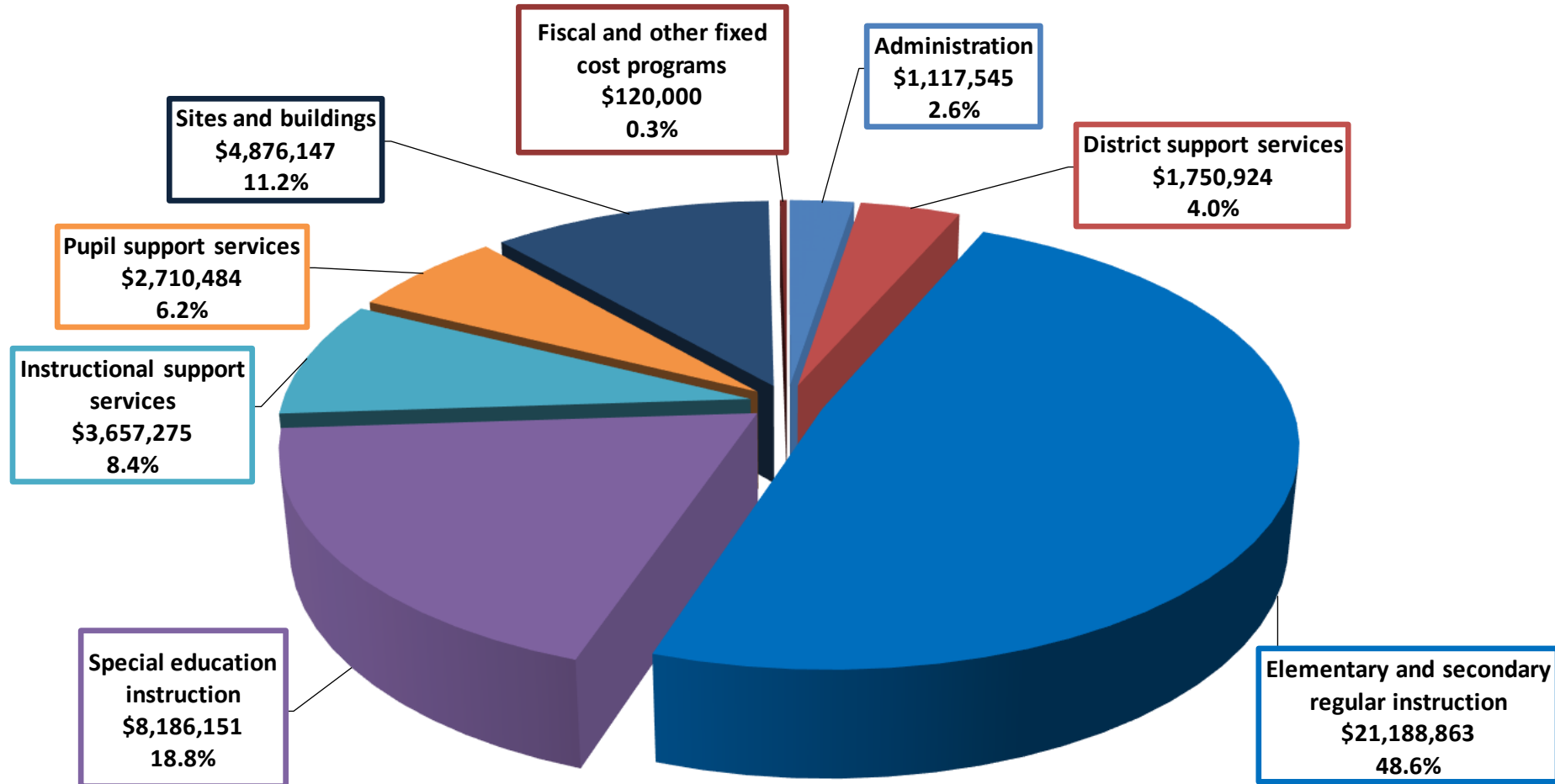
**South St. Paul Public Schools
General Fund Revenue
2017-18 Budget \$42,582,466**



**South St. Paul Public Schools
General Fund Expenditure by Object
2017-18 Budget \$43,607,389**



South St. Paul Public Schools General Fund Expenditures by Program 2017-18 Budget \$43,607,389



Payable 2018 Property Tax Levy

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

School District Property Taxes

- Each school district may levy taxes in over 30 different categories
- “Levy limits” (maximum levy amounts) for each category are set by
 - State law
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district

Schedule of Events in Approval of District's 2017 (Payable 2018) Tax Levy

- September 8: MDE prepared and distributed first draft of levy limit report setting maximum authorized levy
- September 25: School Board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 11: Public hearing on proposed levy at regular meeting
- Following hearing, School Board will certify final levy amounts

Overview of Proposed Levy Payable in 2018

- Total 2018 proposed property tax levy is an increase from 2017 of \$1,303,054, or 14.9%
- Includes \$1,129,879 net increase from proposed levy approved by School Board in September
 - Operating Referendum question approved by the voters in election held on November 7th
 - District refinanced some of its existing bonds in October, reducing the debt service levy by \$26,336
- State law requires that we explain the reasons for the major increases in levy
- A decrease in specific levy category will also be explained

South St. Paul Public Schools

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	\$1,269,028	\$2,562,444	\$1,293,416	
	Local Optional Revenue	1,220,209	1,290,038	69,829	
	Equity	430,814	391,005	(39,809)	
	Alternate Teacher Compensation	231,006	261,115	30,109	
	Achievement and Integration	173,957	178,606	4,649	
	Capital Project - Technology	566,074	596,610	30,536	
	Operating Capital	194,465	177,499	(16,966)	
	Long Term Facilities Maintenance	578,636	776,871	198,235	
	Instructional Lease	355,557	232,156	(123,401)	
	Safe Schools	202,343	200,672	(1,671)	
	Other	182,690	161,674	(21,015)	
	Adjustments for Prior Years	(432,369)	(339,554)	92,816	
	Total, General Fund	\$4,972,407	\$6,489,135	\$1,516,728	30.5%
Community Service Fund					
	Basic Community Education	\$151,207	\$151,207	\$0	
	Early Childhood Family Education	55,681	58,599	2,917	
	School-Age Child Care	237,508	237,508	0	
	Other	1,054	1,258	203	
	Adjustments for Prior Years	66,231	(16,597)	(82,828)	
	Total, Community Service Fund	\$511,682	\$431,974	(\$79,708)	-15.6%
Debt Service Funds					
	Voter Approved Debt Service	\$2,340,910	\$2,338,915	(\$1,995)	
	Other Debt Service	178,185	175,140	(3,045)	
	Other Post Employment Benefits	753,505	726,953	(26,552)	
	Reduction for Debt Excess	(40,907)	(137,036)	(96,129)	
	Adjustments for Prior Years	16,619	10,374	(6,245)	
	Total, Debt Service Fund	\$3,248,312	\$3,114,346	(\$133,966)	-4.1%
Total Levy, All Funds		\$8,732,401	\$10,035,455	\$1,303,054	14.9%
Subtotal by Truth in Taxation Categories:					
	Voter Approved Levies	4,234,378	5,448,684	1,214,307	
	Other Levies	4,498,023	4,586,770	88,747	
	Total	\$8,732,401	\$10,035,455	\$1,303,054	14.9%

Explanation of Levy Changes

Category: General Fund - Voter Approved Operating Referendum

Change: +\$1,293,416

Use of Funds: General operating expenses

Reason for Increase:

- Voters approved an increase of \$354.00 per pupil of operating referendum authority in election held on November 7th; total authority for Fiscal Year 2018-19 is \$921.10

Explanation of Levy Changes

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

Change: +\$198,235

Use of Funds: Deferred Facility Maintenance

Reason for Increase:

- 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 (52%) and state aid (48%)
- Increase partially offset by reduction in other levy categories (Student Achievement and Operating Capital)

Explanation of Levy Changes

Category: General Fund – Instructional Lease

Change: -\$123,401

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

Reason for Increase:

- Instructional lease costs are estimated to be less, since District will not be levying for costs related to 5th Avenue lease

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

Examples include school district taxes only

All examples are based on a 13.4% 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

Impact on Taxpayers

- Examples for property in the City of South St. Paul
 - For commercial-industrial property, school taxes in other parts of the district may be slightly higher or lower due to variations in the impact of the Fiscal Disparities Program
- Amounts for 2018 are preliminary estimates, based on best data available now – final figures could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

South St. Paul Public Schools

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.4% Cumulative Changes in Property Value from 2015 to 2018 Taxes

Type of Property	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	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Estimated Taxes Payable in 2018			Change in Taxes 2015 to 2018	Change in Taxes 2017 to 2018
								Without Ballot Question*	Approved Ballot Question*	Total		
Residential Homestead	\$66,161	\$250	\$66,161	\$269	\$68,807	\$249	\$75,000	\$261	\$57	\$318	\$68	\$69
	88,215	355	88,215	381	91,743	360	100,000	385	75	460	105	100
	110,268	477	110,268	510	114,679	484	125,000	510	94	604	127	120
	132,322	600	132,322	640	137,615	607	150,000	635	113	748	148	141
	154,375	722	154,375	769	160,550	731	175,000	760	132	892	170	161
	176,429	844	176,429	899	183,486	854	200,000	885	151	1,036	192	182
	198,483	966	198,483	1,028	206,422	978	225,000	1,010	170	1,180	214	202
	220,536	1,088	220,536	1,158	229,358	1,101	250,000	1,135	189	1,324	236	223
	242,590	1,210	242,590	1,287	252,294	1,225	275,000	1,260	207	1,467	257	242
264,644	1,333	264,644	1,417	275,229	1,348	300,000	1,386	226	1,612	279	264	
Commercial/ Industrial #	\$132,322	\$744	\$132,322	\$797	\$137,615	\$756	\$150,000	\$765	\$113	\$878	\$134	\$122
	352,858	2,254	352,858	2,407	366,972	2,307	400,000	2,332	302	2,634	380	327
	661,609	4,401	661,609	4,695	688,073	4,501	750,000	4,524	566	5,090	689	589
	882,145	5,935	882,145	6,329	917,431	6,068	1,000,000	6,091	755	6,846	911	778
	1,764,291	12,070	1,764,291	12,866	1,834,862	12,337	2,000,000	12,356	1,509	13,865	1,795	1,528

* "Approved ballot question" includes estimates of additional taxes for operating referendum increase approved by voters on November 7, 2017.

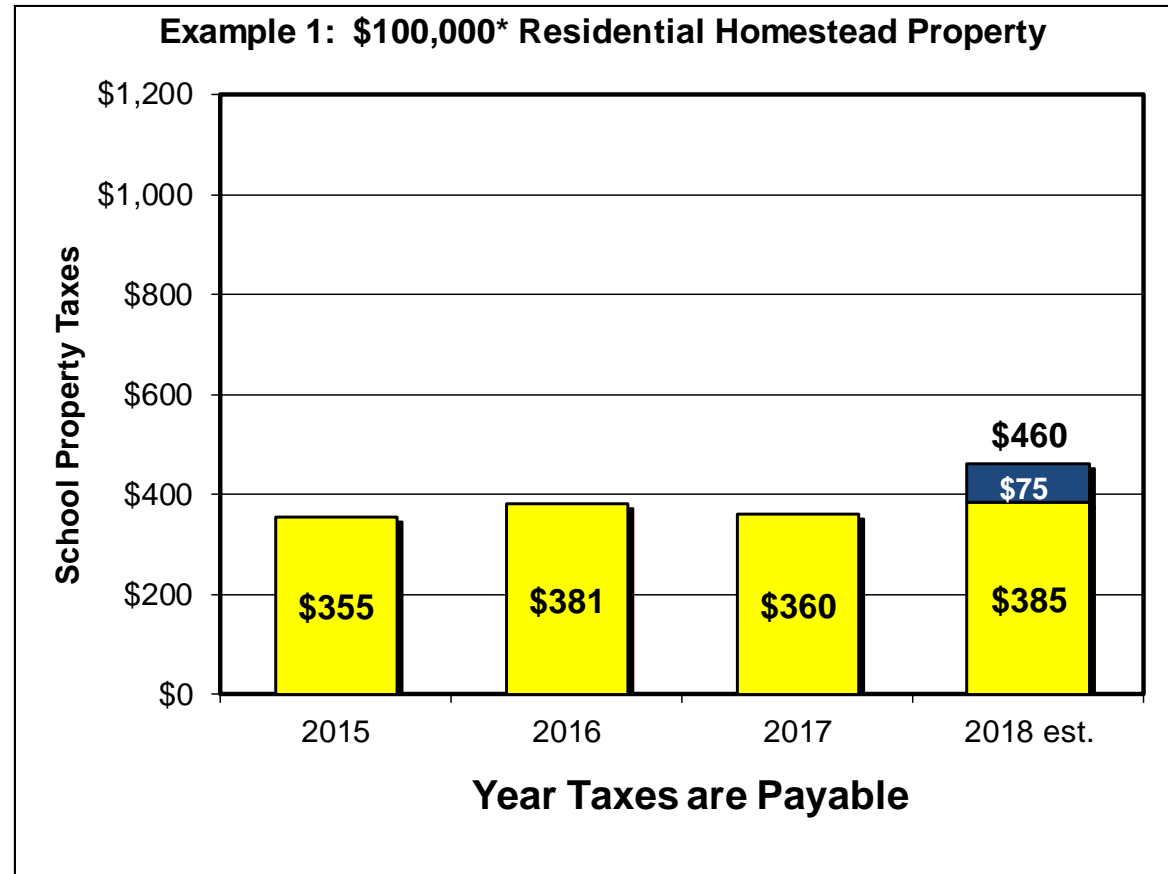
General Notes

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 2018 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 0.0% from 2015 to 2016 taxes, 4.0% from 2016 to 2017, and 9.0% from 2017 to 2018.

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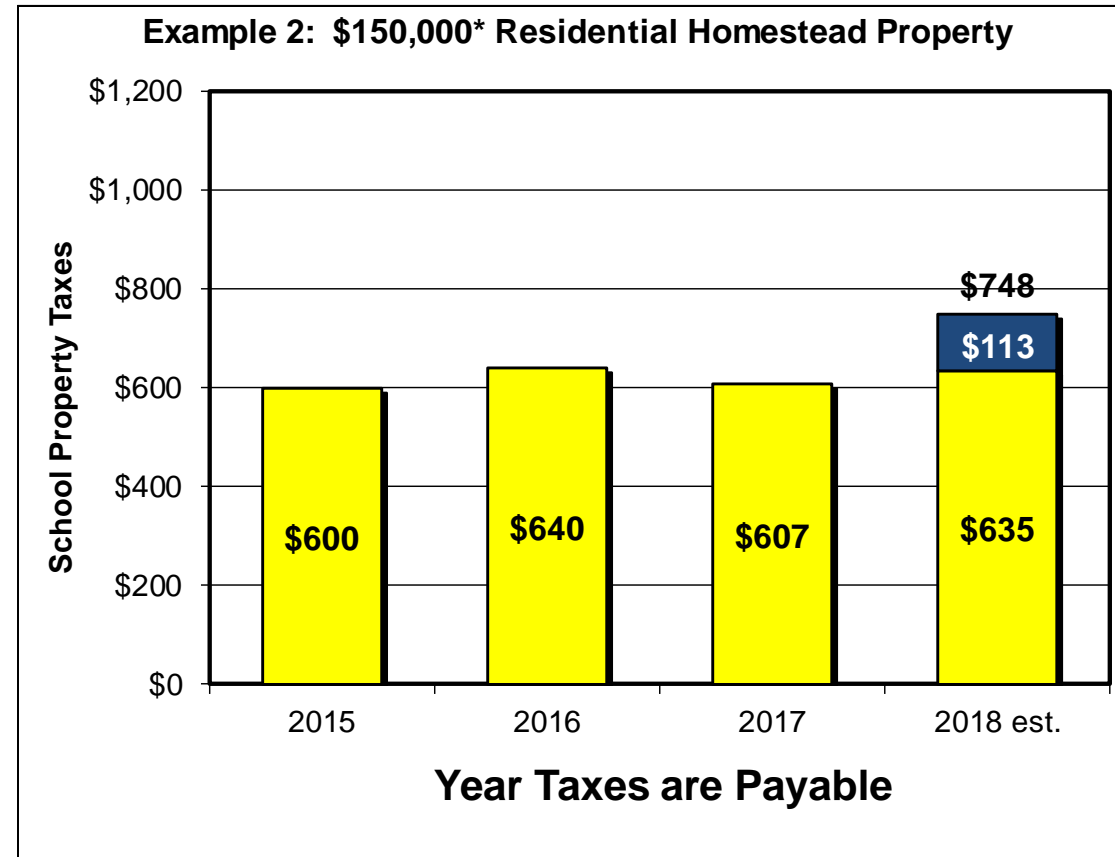
* Value shown in title of chart is estimated market value for taxes payable in 2018. Taxes are calculated based on changes in estimated market value of 0.0% from 2015 to 2016 taxes, 4.0% from 2016 to 2017, and 9.0% from 2017 to 2018.

Note: Darker portion of 2018 bar represents estimated taxes for operating referendum increase approved by voters on November 7, 2017.

South St. Paul Public Schools

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.4% Cumulative Changes in Property Value from 2015 to 2018 Taxes



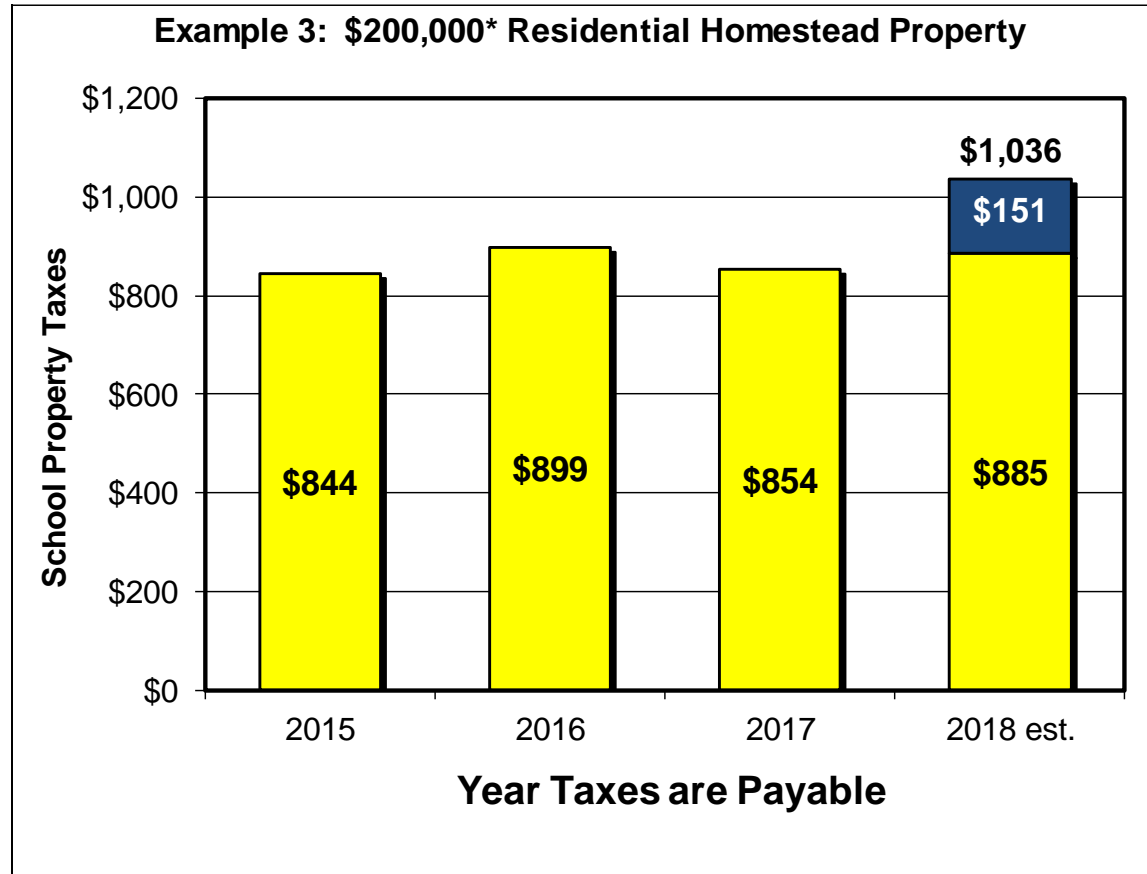
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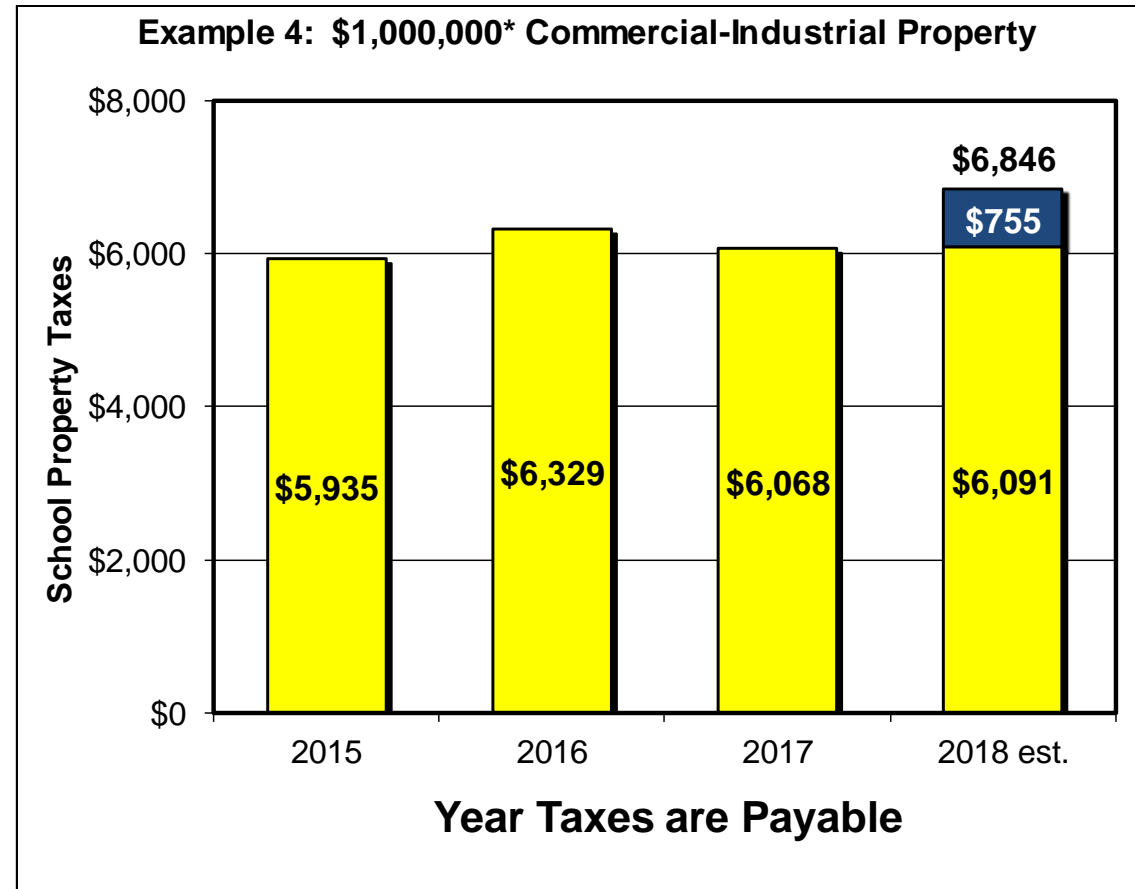
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Minnesota Homestead Credit Refund “Circuit Breaker”

- 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 \$108,660 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 \$2,660
- Average refund was \$847 for property tax in year 2015
- 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 is approved by voters
- 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 M-1PR (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 their home
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps

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

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Public Comments
