

South St. Paul
Public Schools



South St. Paul Public Schools

Public Hearing for Taxes Payable in 2023

DECEMBER 12, 2022

PRESENTED BY:

BRADY HOFFMAN,

DIRECTOR OF FINANCE

Minnesota State Law Requirements

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

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 2023-24 budget will be adopted by School Board in June 2023.

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
- Debt Service
- Internal Service
- OPEB* Trust

**Other Post-Employment Benefits*



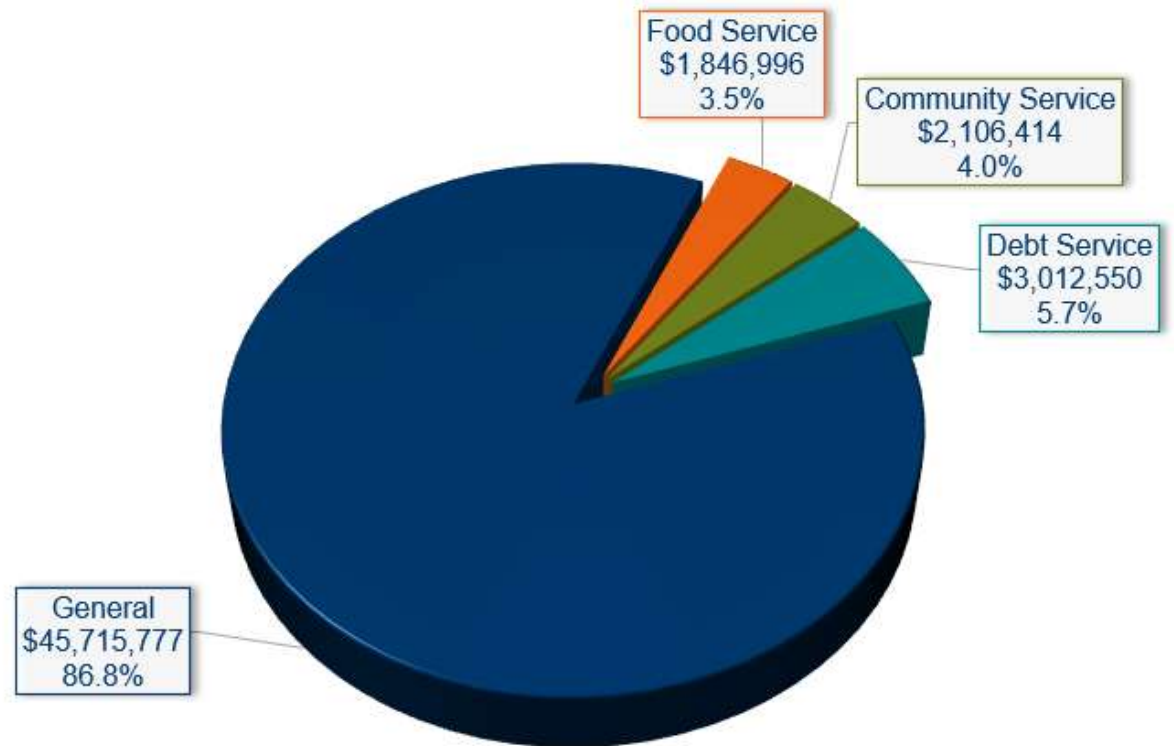
District Revenues & Expenditures
Actual for FY 2022, Budget for FY 2023

FUND	FISCAL 2022 BEGINNING	2021-22 ACTUAL		JUNE 30, 2022 ACTUAL	2022-23 BUDGET		JUNE 30, 2023 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$870,719	\$8,796,614	\$7,276,804	\$2,390,530	\$8,300,501	\$8,326,357	\$2,364,674
General/Other	5,269,705	38,935,778	38,327,416	5,878,067	37,415,276	37,271,110	6,022,233
Food Service	523,335	2,411,220	2,112,246	822,310	1,846,996	1,854,532	814,774
Community Service	321,789	2,357,917	2,130,494	549,212	2,106,414	1,897,014	758,612
Debt Service	725,335	17,789,084	17,778,199	736,221	3,012,550	2,976,532	772,239
Internal Service	5,723,127			7,635,362			7,635,362
OPEB* Revocable Trust	(4,395,823)	(248,478)	273,998	(4,918,299)	-	-	(4,918,299)
Total All Funds	\$9,038,187	\$70,042,136	\$67,899,156	\$13,093,402	\$52,681,737	\$52,325,545	\$13,449,594

*Other Post Employment Benefits

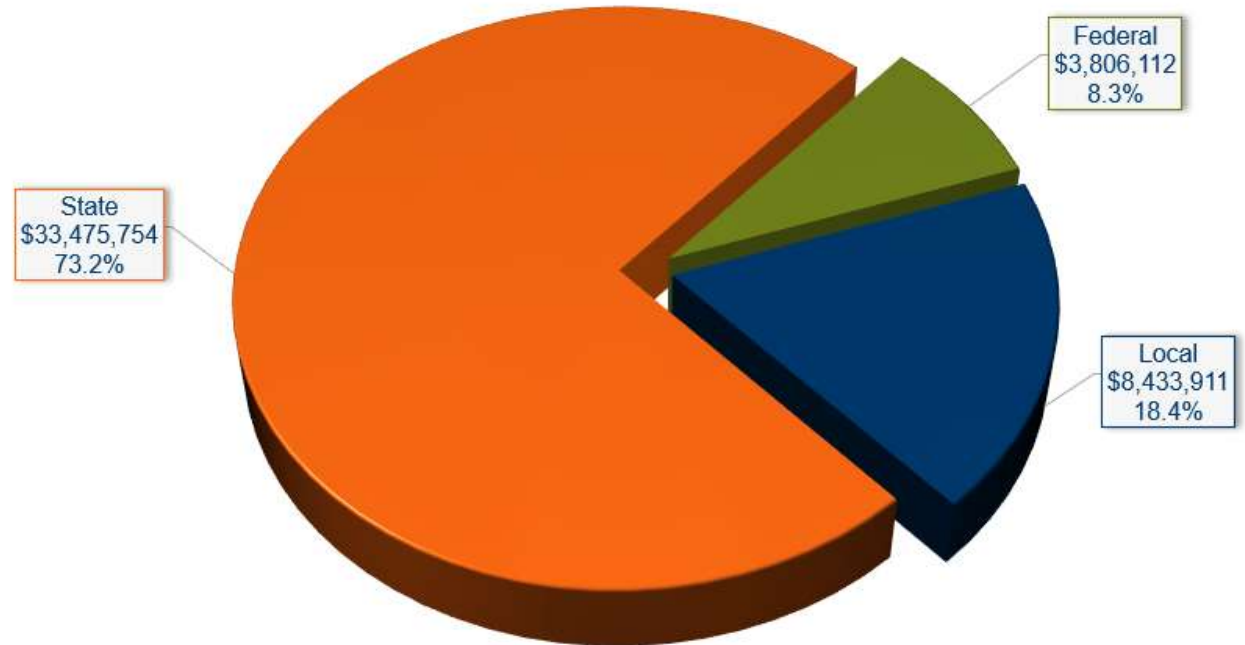
Revenue - All Funds -

2022-23 Budget
\$52,681,737



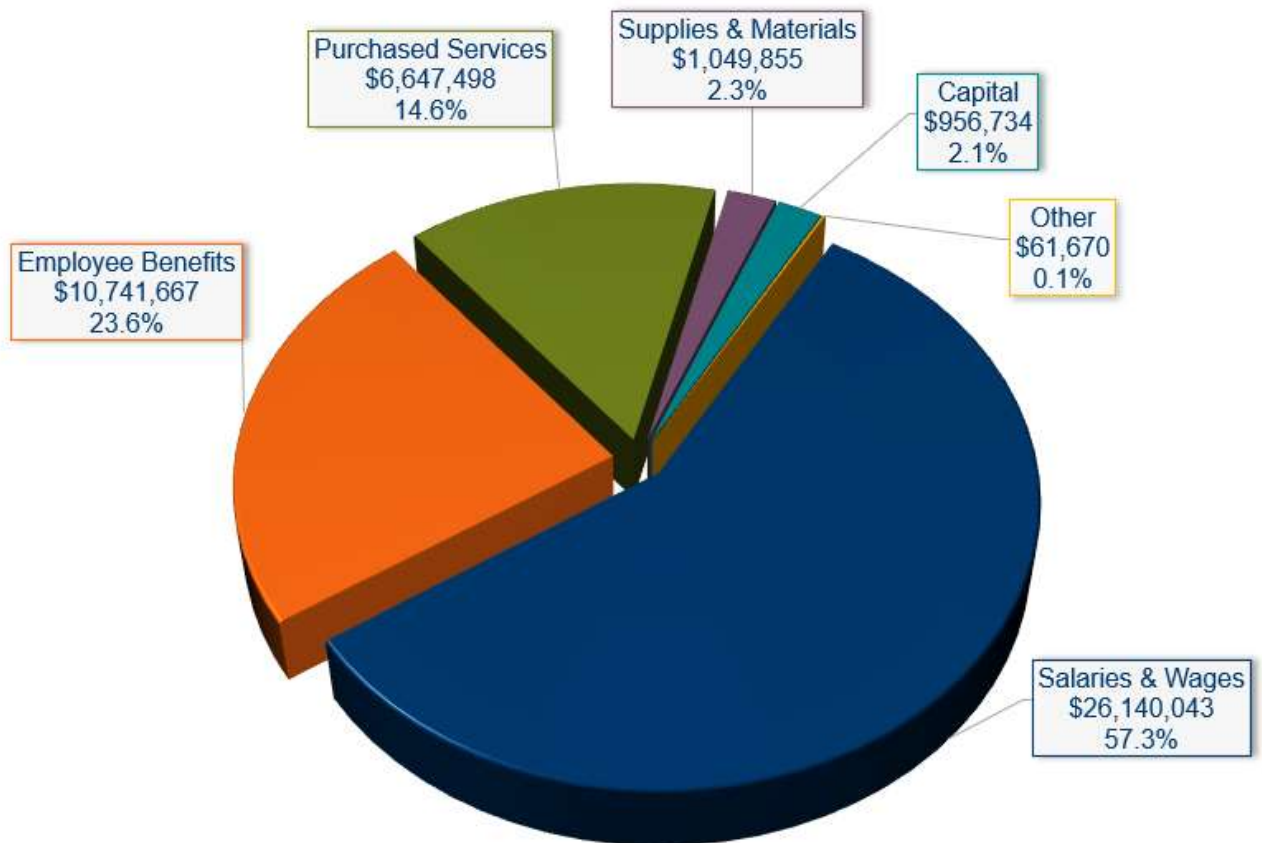
General Fund Revenue

2022-23 Budget
\$45,715,777



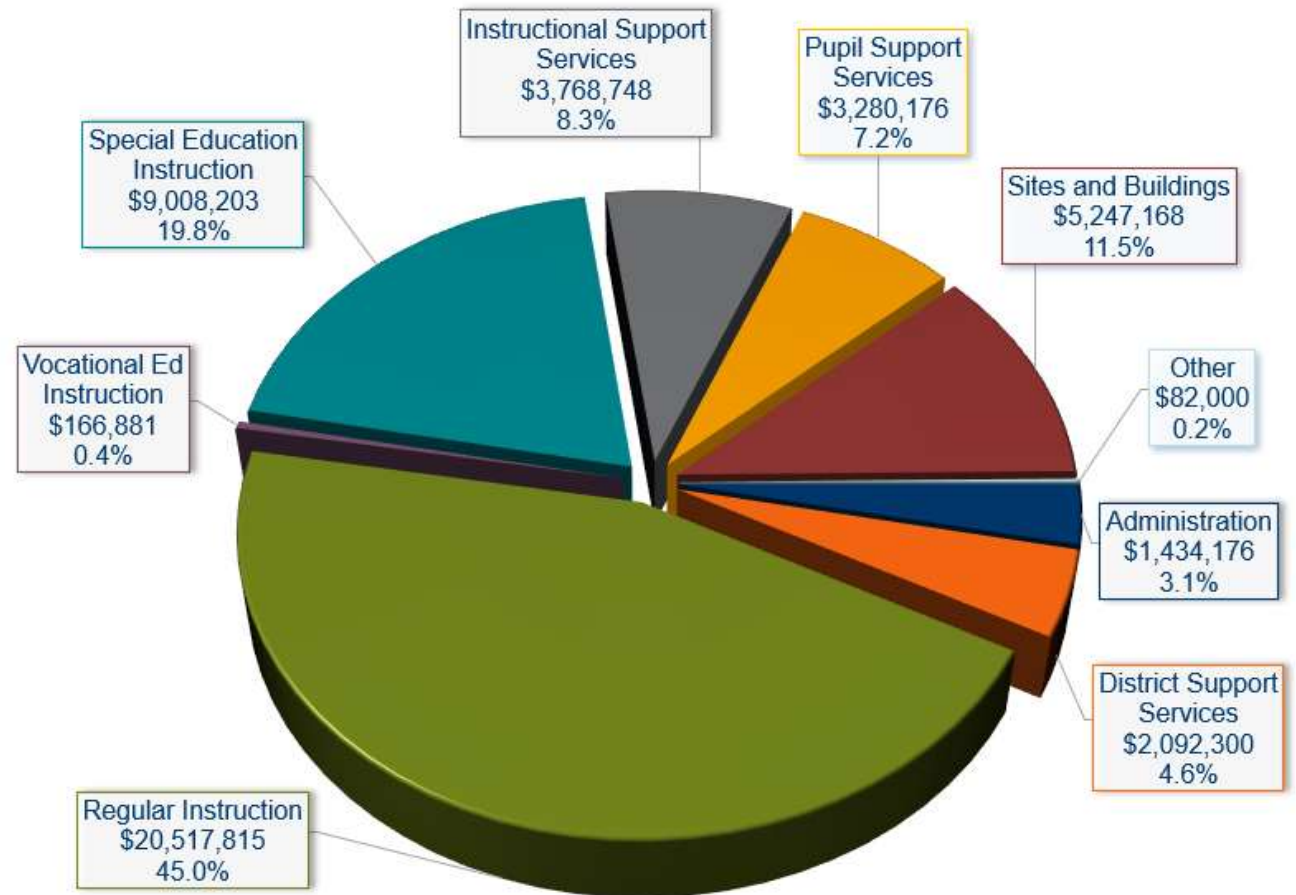
General Fund Expenditures - by Object -

2022-23 Budget
\$45,597,467



General Fund Expenditures - by Program -

2022-23 Budget
\$45,597,467



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 & distributes funds back to other taxing jurisdictions

School District Property Taxes

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



Overview of District's Proposed Tax Levy

- Proposed Payable 2023 tax levy is an increase from 2022 of \$3,948,741 or 35.2%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

Comparison of Actual Tax Levy Payable in 2022 to Proposed Levy Payable in 2023

Fund Levy Category	Actual Levy Payable in 2022	Proposed Levy Payable in 2023	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$2,256,172	\$6,056,012	\$3,799,840	
Local Optional Revenue (LOR)	2,034,218	1,999,572	(34,646)	
Equity	426,184	235,605	(190,579)	
Capital Project/Technology Referendum	789,039	834,135	45,096	
Operating Capital	246,027	267,385	21,358	
Alternate Teacher Compensation	290,982	282,917	(8,064)	
Achievement and Integration	180,658	175,431	(5,227)	
Long Term Facilities Maintenance	715,504	725,384	9,881	
Instructional Lease	627,223	632,616	5,393	
Other	350,970	342,139	(8,831)	
Prior Year Adjustments	(225,146)	(59,325)	165,820	
Total, General Fund	\$7,691,830	\$11,491,871	\$3,800,041	49.4%
Community Service				
Basic Community Education	\$154,721	\$154,721	\$0	
Early Childhood Family Education	59,870	65,075	5,205	
School-Age Child Care	200,000	200,000	0	
Other	2,238	2,389	150	
Prior Year Adjustments	96,321	394	(95,927)	
Total, Community Service Fund	\$513,150	\$422,579	(\$90,571)	-17.7%
Debt Service				
Voter Approved	\$2,940,708	\$3,366,558	\$425,849	
Other	178,185	174,825	(3,360)	
Reduction for Debt Excess	(107,533)	(290,733)	(183,200)	
Prior Year Adjustments	1,189	1,172	(18)	
Total, Debt Service Fund	\$3,012,550	\$3,251,821	\$239,271	7.9%
Total Levy, All Funds	\$11,217,529	\$15,166,270	\$3,948,741	35.2%
Subtotal by Truth in Taxation Categories:				
Voter Approved	5,744,194	10,163,608	4,419,414	
Other	5,473,335	5,002,662	(470,673)	
Total	\$11,217,529	\$15,166,270	\$3,948,741	35.2%

Explanation of Levy Changes

Category:

General Fund - Voter Approved Operating Referendum & Equity

Change:

+\$3,799,840 (Operating Referendum) and -\$190,579 (Equity)

Use of Funds:

General Operating Expenses

Reasons for Changes:

- Voters approved an increase to operating referendum authority of \$1,150 per pupil
- Increases in operating referendum authority result in a reduction to equity revenue, based on state-determined formula

Explanation of Levy Changes

Category:

General Fund – Prior Year Adjustments

Change:

+\$165,820

Use of Funds:

Various

Reason for Change:

Initial levies are based on estimates. In later years, amounts are updated and levies are retroactively adjusted.

Explanation of Levy Changes

Category:

Debt Service Fund - Voter Approved

Change:

+\$425,849

Use of Funds:

Bond Payments

Reasons for Changes:

- District refunded (refinanced) bonds issued in 2014
- Restructured debt for future savings of approximately \$661,000
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

Explanation of Levy Changes

Category:	Debt Service – Reduction for Debt Excess
Change:	-\$183,200
Use of Funds:	Debt service payments
Reasons for Change:	<ul style="list-style-type: none">• 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• Debt excess is larger for taxes payable in 2023 than 2022

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause a tax bill for an individual property to increase or decrease from year to year

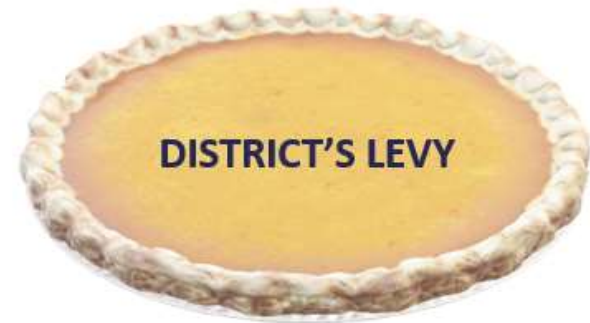
- Changes in value of individual property
- Changes in total value of all property within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

What's happening with each slice?

Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each Property Owner pays a portion of the pie

Impact of Property Valuations

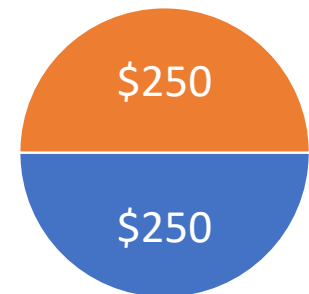
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



Impact of Property Valuations

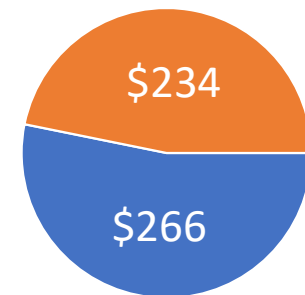
Two properties in the district

- Orange house value increases by 10%
- Blue house value increases by 25%

Total levy of \$500

- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$110,000



\$125,000



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 24.0% increase in property value for residential homes over the past four years
 - 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
- Examples are for property in City of South St. Paul
- Amounts for 2023 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

Estimated Changes in School Property Taxes, 2020 to 2023
Based on No Changes in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2020	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Estimated Taxes Payable in 2023			Change in Taxes 2020 to 2023	Change in Taxes 2022 to 2023
					Initial Proposed Levy	Net Change*	Total		
Residential Homestead	\$125,000	\$527	\$550	\$513	\$473	\$201	\$674	\$147	\$161
	175,000	781	816	762	699	282	981	200	219
	225,000	1,034	1,081	1,010	925	365	1,290	256	280
	275,000	1,288	1,346	1,259	1,151	447	1,598	310	339
	325,000	1,542	1,611	1,508	1,376	529	1,905	363	397
	375,000	1,796	1,877	1,756	1,602	611	2,213	417	457
	425,000	2,046	2,139	2,002	1,825	692	2,517	471	515
	475,000	2,287	2,390	2,237	2,040	774	2,814	527	577
500,000	2,407	2,516	2,355	2,148	814	2,962	555	607	
Commercial/Industrial #	\$250,000	\$1,357	\$1,460	\$1,325	\$1,219	\$414	\$1,633	\$276	\$308
	350,000	1,962	2,112	1,917	1,760	582	2,342	380	425
	500,000	2,868	3,090	2,805	2,571	833	3,404	536	599
	750,000	4,380	4,719	4,284	3,923	1,253	5,176	796	892
	1,000,000	5,891	6,349	5,764	5,276	1,672	6,948	1,057	1,184

* Net change is due to increase in operating referendum approved by voters and other adjustments.

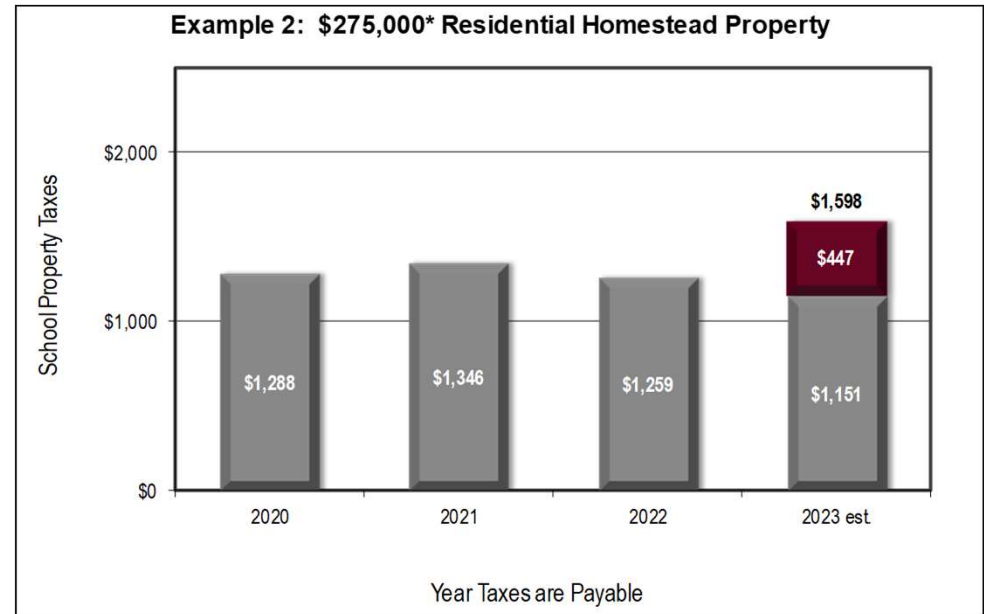
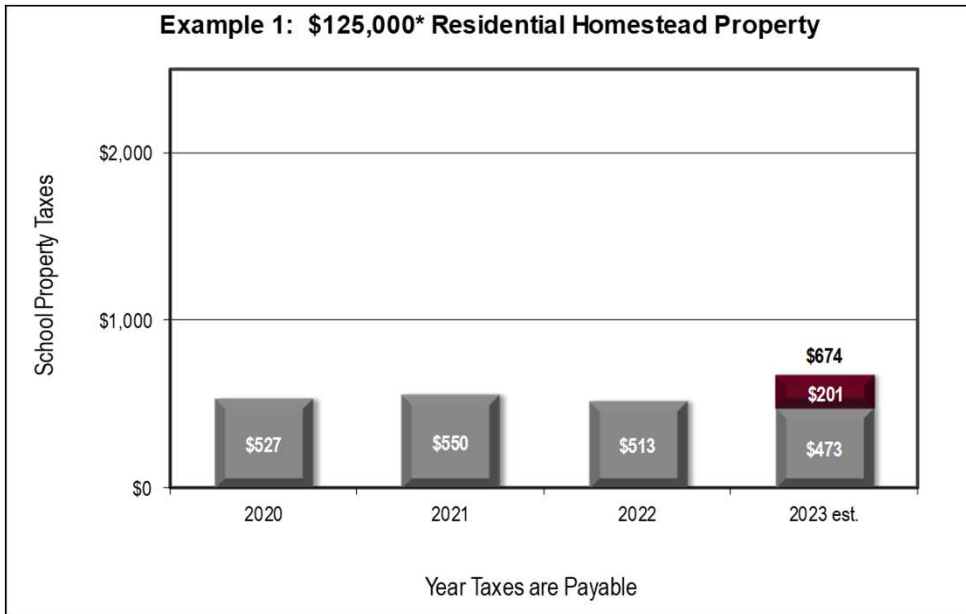
For commercial-industrial property, amounts above are for property in the City of South St. Paul. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

General Notes

1. Amounts 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 2023 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2020 to 2023.

Estimated Changes in School Property Taxes, 2020-23

Based on No Changes in Property Value

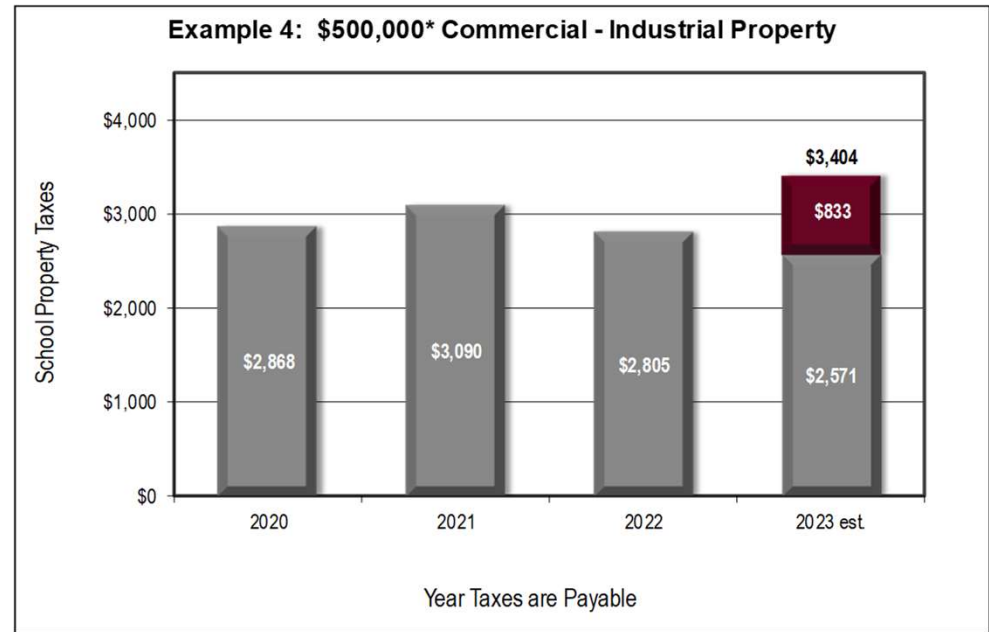
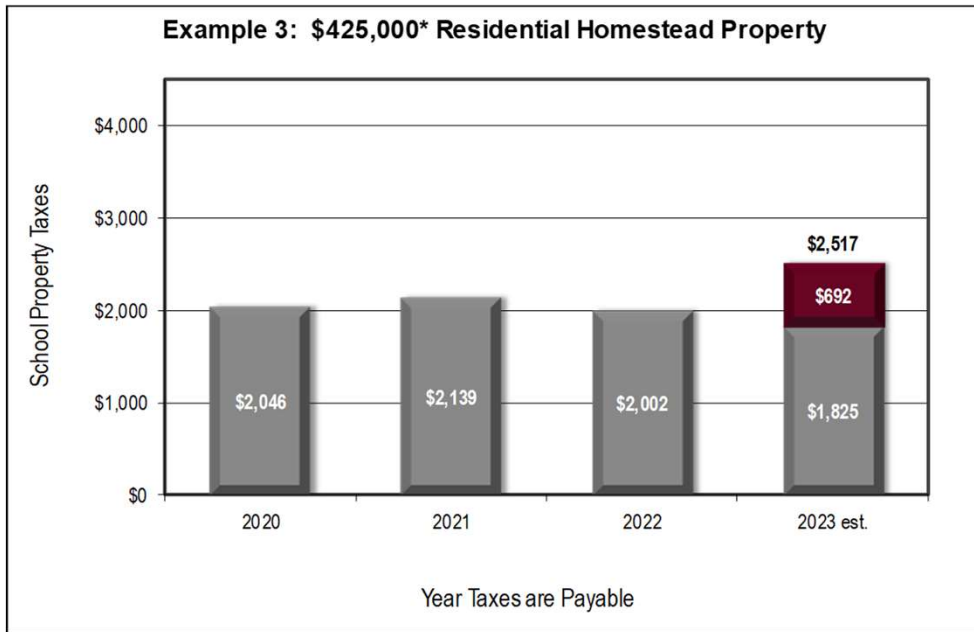


* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

** The darker portion of the 2023 bar represents the estimated taxes associated with the operating referendum approved by voters and other adjustments.

Estimated Changes in School Property Taxes, 2020-23

Based on No Changes in Property Value

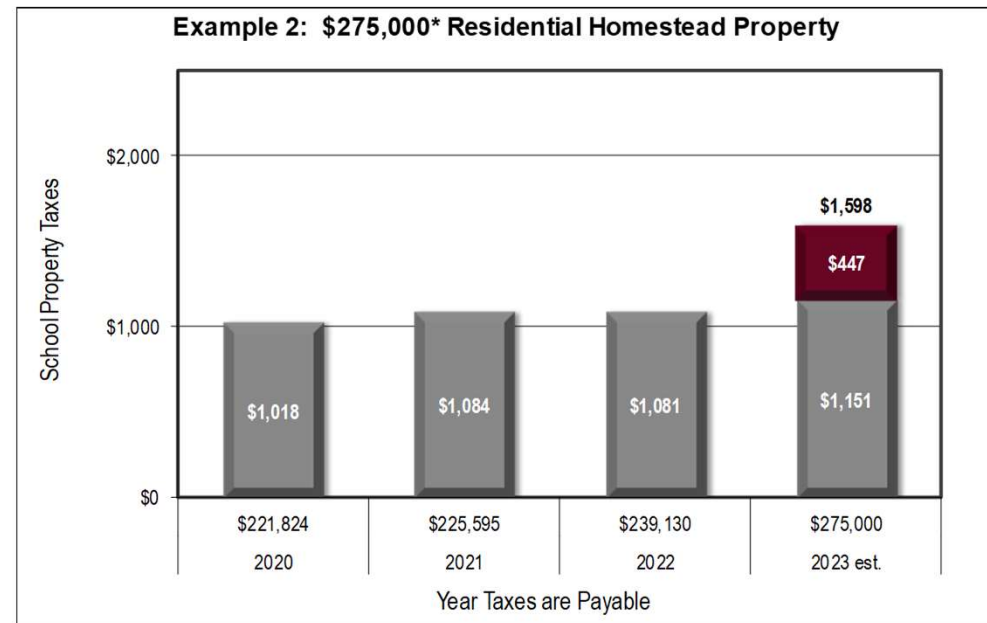
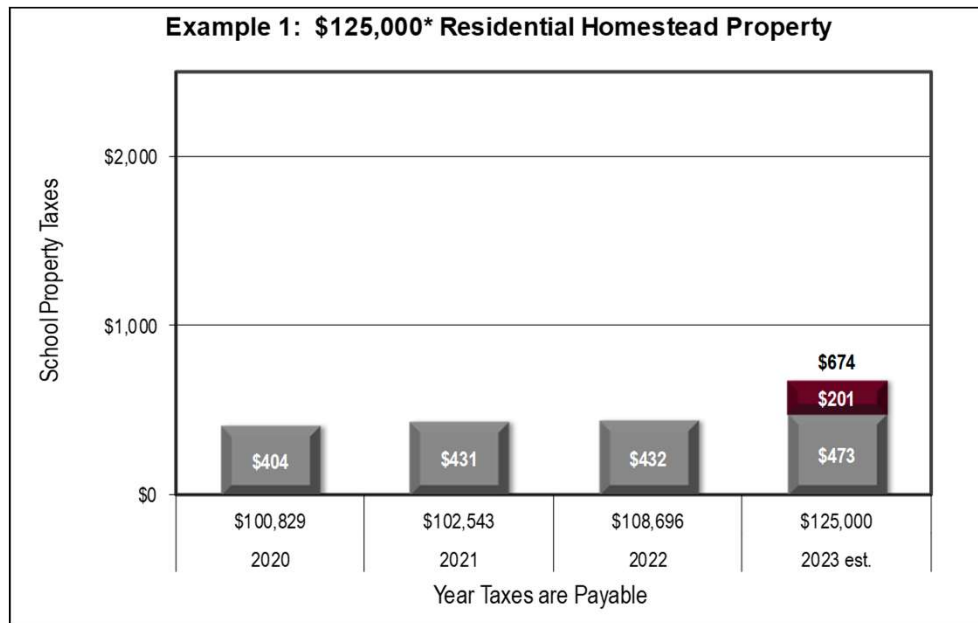


* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

** The darker portion of the 2023 bar represents the estimated taxes associated with the operating referendum approved by voters and other adjustments.

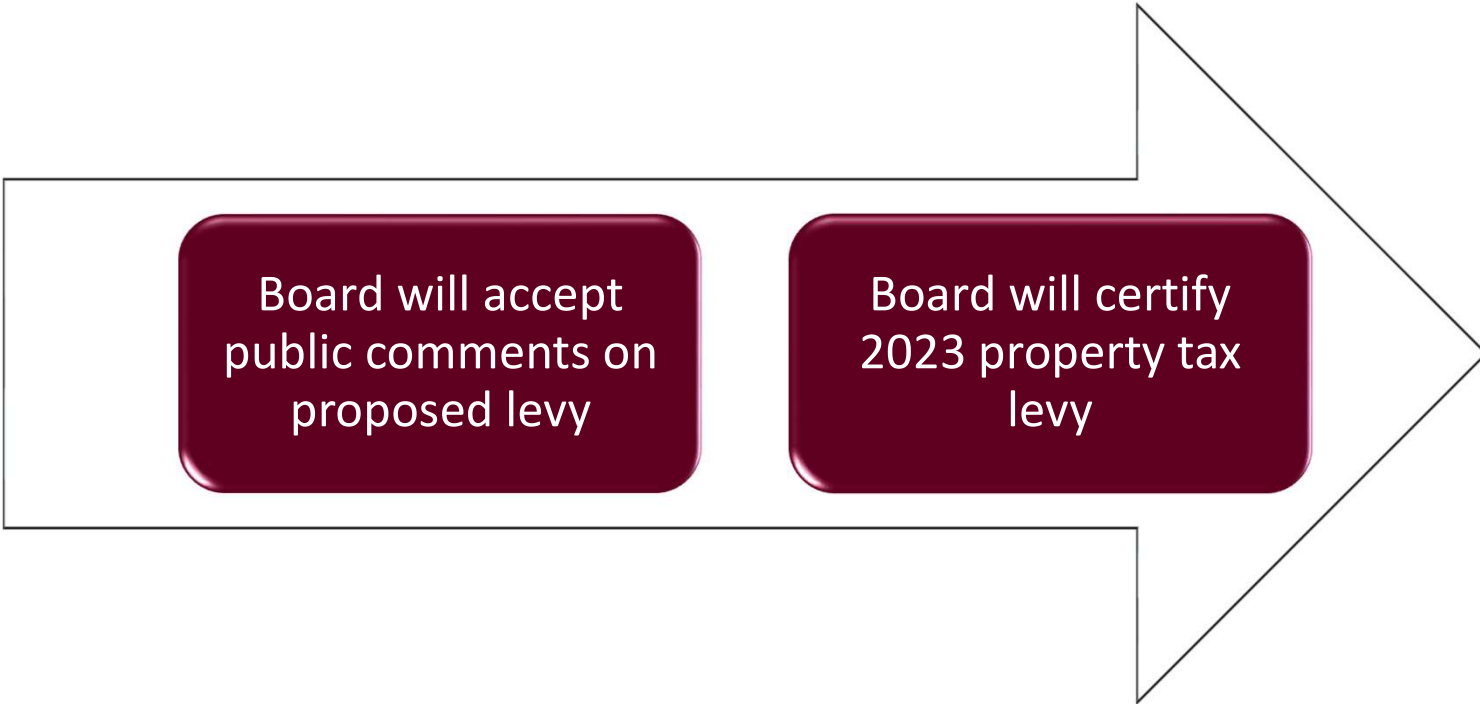
Estimated Changes in School Property Taxes, 2020-23

Based on 24.0% Cumulative Changes in Property Value



*Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 1.7% from 2020 to 2021, 6.0% from 2021 to 2022 and 15.0% from 2022 to 2023.
 ** The darker portion of the 2023 bar represents the estimated taxes associated with the operating referendum approved by voters and other adjustments.

Next Steps



Board will accept
public comments on
proposed levy

Board will certify
2023 property tax
levy

South St. Paul
Public Schools



PUBLIC COMMENTS