



Truth in Taxation 2018 Proposed Property Tax Levy

Monticello Public Schools

District Office

December 4, 2017

6:00 pm

Truth in Taxation Timeline

2017 Payable 2018 Levy

- For -

2018-2019 School Year

- Or -

FY2019



Truth in Taxation Law

- State law initially approved in 1988
- Amended in 2009
- Requirements
 - Counties must send out “proposed property tax statements” between November 11-24, based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
 - Taxing jurisdictions must present information and receive comments from audience at a regularly scheduled meeting between November 25 and December 26
 - Adopt final payable levy by December 28



Truth in Taxation Hearing

- State law requires that school districts present information on the current year budget
- State law also requires that we present information on the proposed property tax levy, including:
 - The percentage increase or decrease from the prior year
 - Specific purposes and reasons for which taxes are being increased
- District must also allow for public comment



Budget Cycle vs. Tax Levy

Unlike cities and counties, a school district does not set its budget when setting the tax levy

- Budget
 - School fiscal year is July 1 through June 30
 - Final budget approved in June, 6 months later
 - Mid-year budget revisions in January
- Property Tax Levy
 - Final levy set in December
 - Property taxes levied on a calendar year basis



Budget Information

Because approval of the budget lags behind certification of the tax levy by six months, only current year budget information will be presented at this hearing



Budget Information

- All school district budgets are divided into separate funds, based on purposes of revenue, as required by law
- For Monticello Public Schools:
 - General fund (includes the Special Ed Cooperative)
 - Food Service fund
 - Community Service fund (includes the Hockey fund)
 - Building Construction fund
 - Debt Service fund
 - OPEB Trust fund

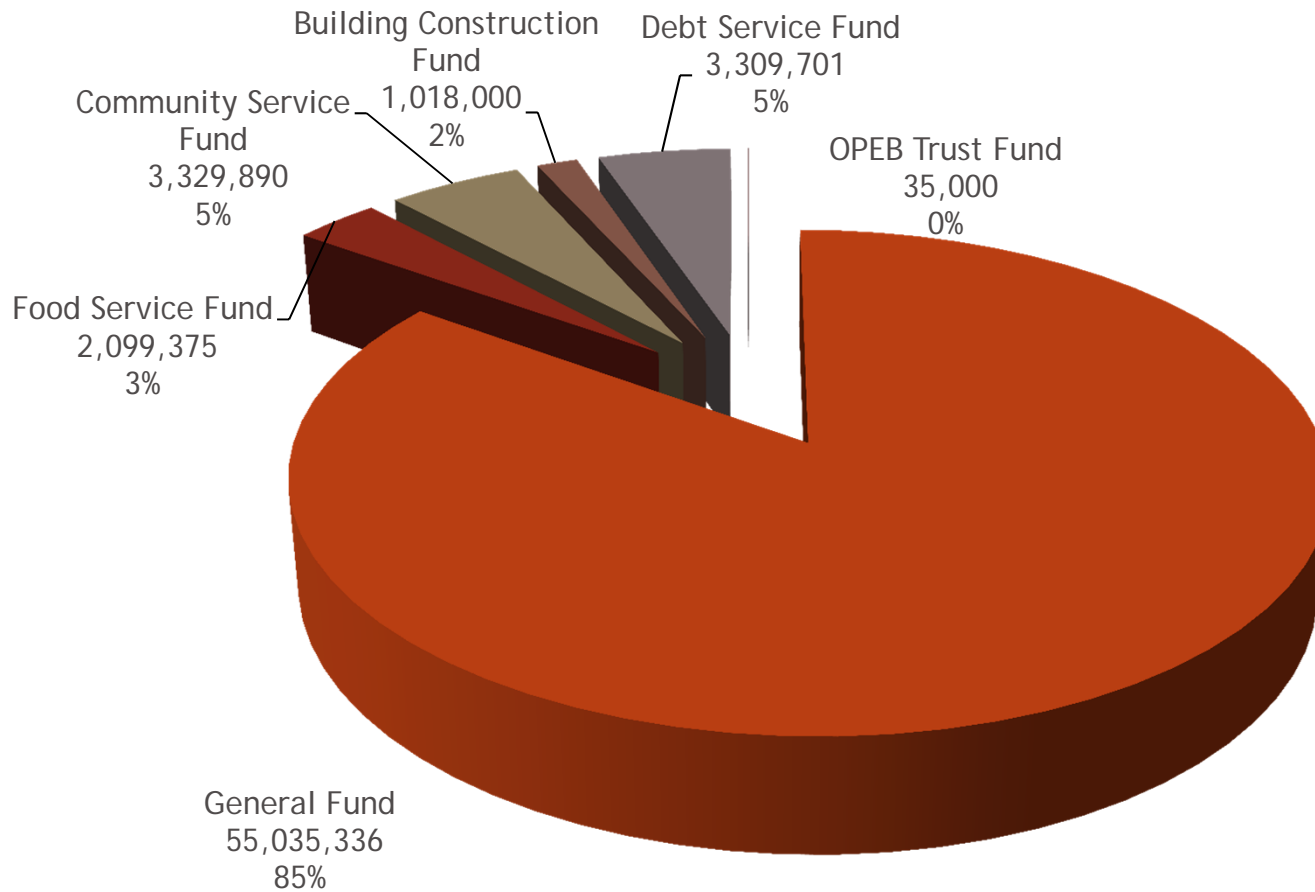


2017-2018 Adopted Budget

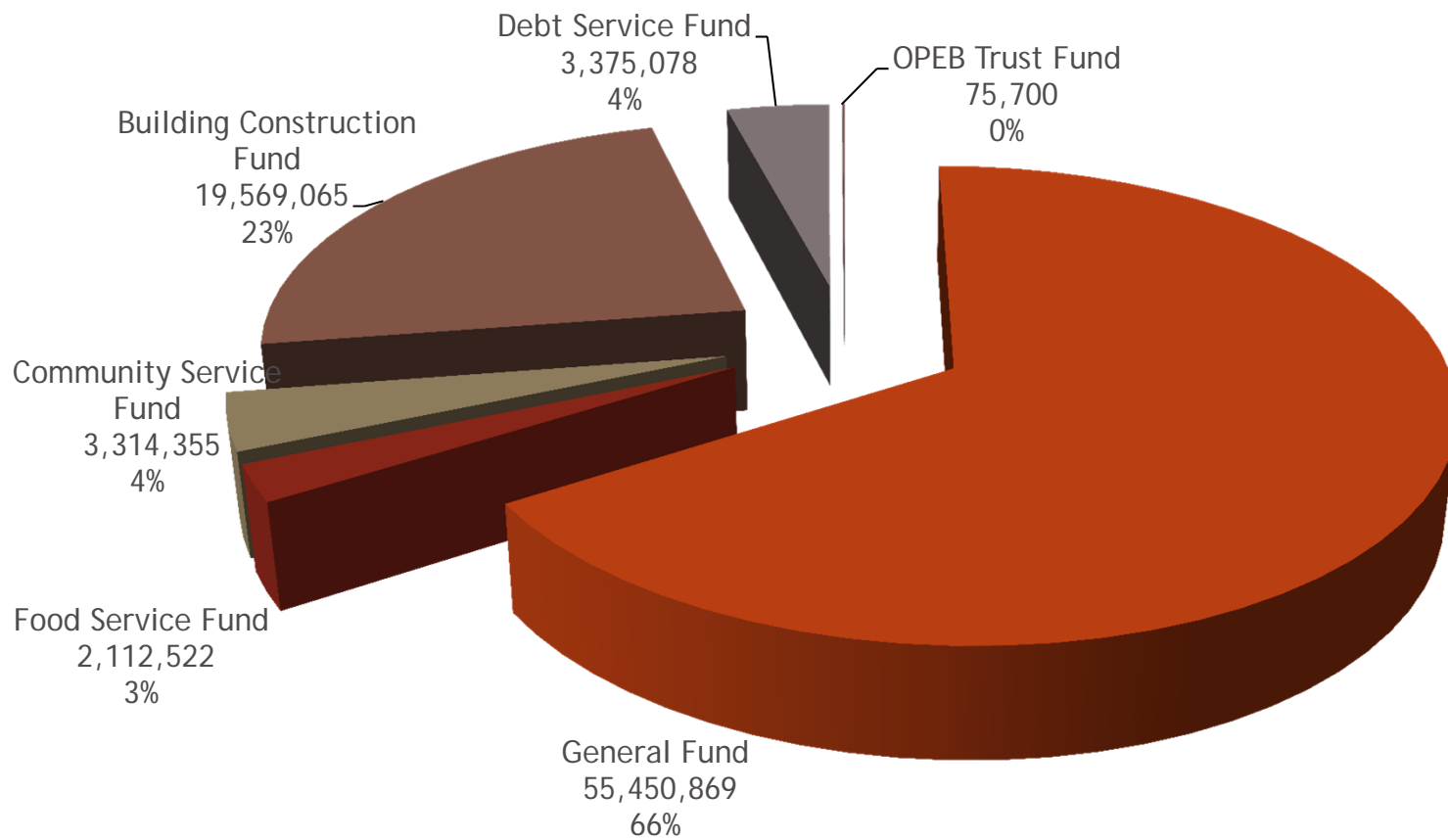
	6/30/2017 Audited Balance	Revenues	Expenditures	6/30/2018 Projected Balance
General Fund	5,197,829	55,035,330	55,450,869	4,782,290
Food Service	217,845	2,099,375	2,112,522	204,698
Community Service	838,751	3,329,890	3,314,355	854,286
Building Construction	20,970,824	1,018,000	19,569,065	2,419,759
Debt Service	720,215	3,309,701	3,375,078	654,838
OPEB Trust	1,892,280	35,000	75,700	1,851,580
Total	29,837,744	64,827,296	83,897,589	10,767,451



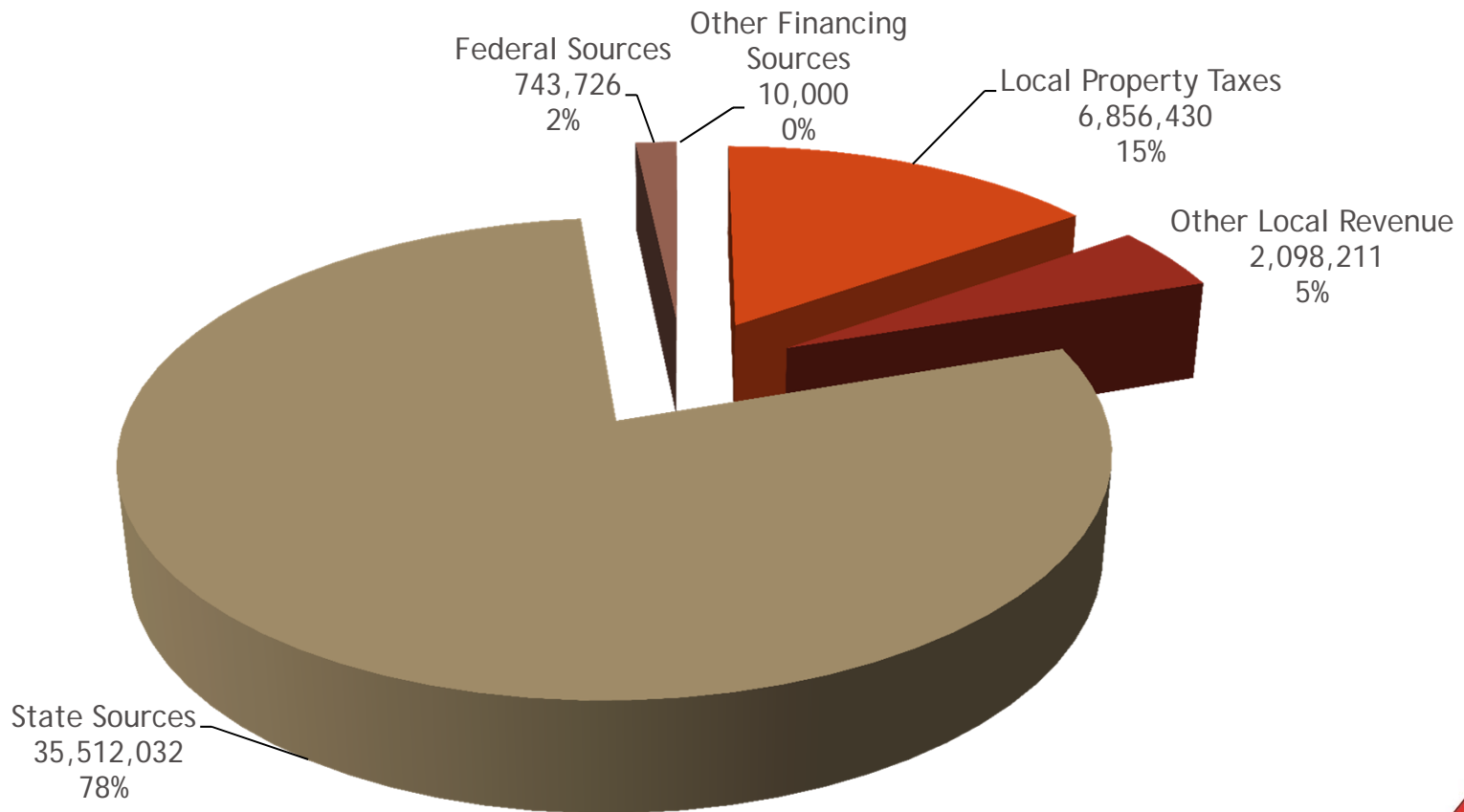
2017-2018 Revenue Budget



2017-2018 Expenditure Budget



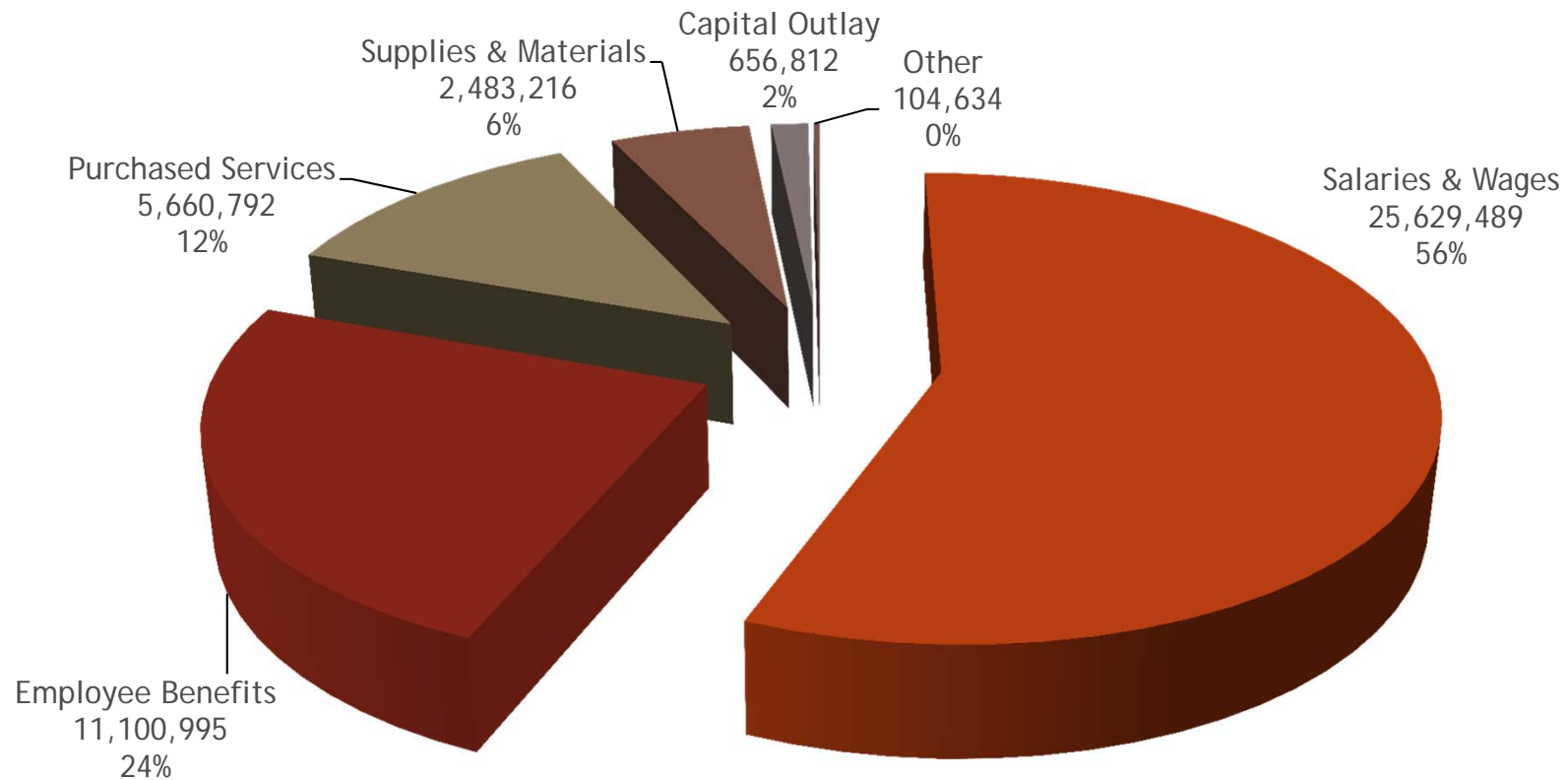
2017-2018 General Fund Rev.



**Does not include Fund 12 Sp Ed Coop*



2017-2018 General Fund Exp.



**Does not include Fund 12 Sp Ed Coop*



Proposed Levy Payable 2018

- Law requires that we explain the major changes in the levy
 - Review how taxes are determined
 - Review the major changes in the levy total and the reasons for those changes
 - Look at some specific examples of tax impact
 - Review the Minnesota Property Tax Refund programs



Proposed Levy Payable 2018

- Many factors can cause the tax bill for an individual property to increase or decrease
 - Change in value of the individual property
 - Change in total value of all property in the district
 - Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors



Proposed Levy Payable 2018

- State sets formulas which determine revenue; most revenue is based on specified amounts per pupil (other local levies)
- State sets tax policy for local schools
- State sets maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- State authorizes school board to submit referendums for operating and capital needs to voters for approval (voter approved levies)



Minnesota School District Property Taxes- Key Steps and Participants in the Process

A. Tax Determination and Preparation

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

Step 2. The **Legislature** sets the 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 the tax burden will fall on different types of property.

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

Step 4. The **County Auditor** divides the final levy (determined by the school board in step B.3. by the district's total tax capacity (determined in step A.3.) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity to determine the school tax for that property.*

B. Levy Determination and Certification

Step 1. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 2. The **Minnesota Department of Education** calculates detailed levy limits for each school district based on the formulas approved by the Legislature in step B.1. These limits tell districts the exact amounts that can be levied in every category.

Step 3. The **School Board** adopts a proposed levy in September based on the limits set in step B.1. and calculated in step B.2. After a public hearing, the board adopts a final levy in December. The final levy cannot be more than the preliminary levy, except for amounts approved by voters.

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

Proposed Levy Payable 2018

Monticello School District #882

DATE 12/4/17

**Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2017 by Fund
Using Final Levy Payable in 2017 as Base Year**

	2017 Final Levy	2018 Preliminary Proposed Levy	Change from Prior Year	Percent Change
General Fund				
1 Voter Approved Referendum	\$ 2,896,736.37	\$ 3,060,389.19	\$ 163,652.82	
2 Equity	\$ 576,183.67	\$ 577,754.46	\$ 1,570.79	
3 Local Optional Revenue	\$ 1,873,486.40	\$ 1,914,529.60	\$ 41,043.20	
4 Transition	\$ 28,986.01	\$ 29,621.02	\$ 635.01	
5 Student Achievement	\$ 50,168.18	\$ -	\$ (50,168.18)	
6 Operating Capital	\$ 396,848.26	\$ 342,308.30	\$ (54,539.96)	
7 Reemployment Ins	\$ 8,000.00	\$ 5,000.00	\$ (3,000.00)	
8 Safe Schools	\$ 159,069.60	\$ 162,554.40	\$ 3,484.80	
9 Career Technical	\$ 42,269.37	\$ 45,916.12	\$ 3,646.75	
10 Other Postemployment Benefits	\$ 428,516.00	\$ 800,858.00	\$ 372,342.00	
11 LT Facilities WTC	\$ 23,970.00	\$ 22,680.00	\$ (1,290.00)	
12 LT Facilities Equal	\$ 377,924.78	\$ 618,031.39	\$ 240,106.61	
13 LT Facilities Unequal	\$ -	\$ -	\$ -	
14 Lease Levy	\$ 194,709.88	\$ 212,888.88	\$ 18,179.00	
15 General Fund Adjustments	\$ 713,399.68	\$ 490,392.68	\$ (223,007.00)	
Total General Fund Levy	\$ 7,770,268.20	\$ 8,282,924.04	\$ 512,655.84	6.60%

Proposed Levy Payable 2018

Monticello School District #882

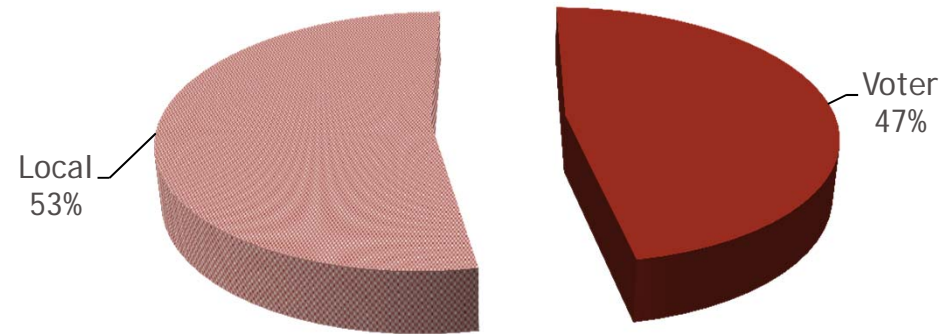
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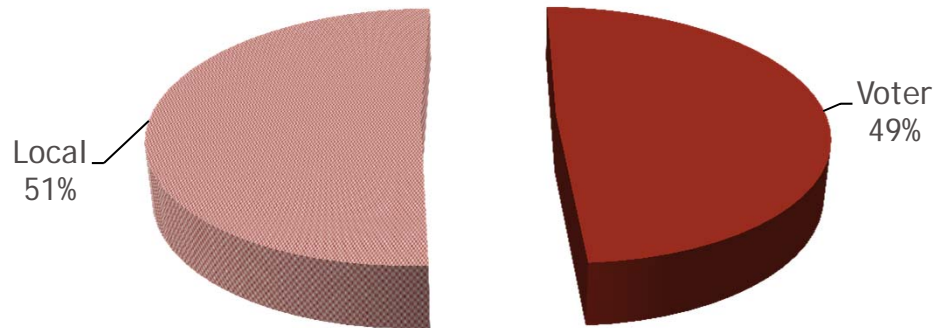
	2017 Final Levy	2018 Preliminary Proposed Levy	Change from Prior Year	Percent Change
Community Service				
1 Basic Community Education	\$ 159,920.05	\$ 159,920.05	\$ -	
2 Early Childhood Family Education	\$ 117,395.69	\$ 116,620.50	\$ (775.19)	
3 Home Visiting	\$ 1,946.38	\$ 2,143.51	\$ 197.13	
4 Adults with Disabilities	\$ 6,900.00	\$ 6,900.00	\$ -	
5 CE Adjustments	\$ (21.63)	\$ 549.70	\$ 571.33	
Total Community Service Levy	\$ 286,140.49	\$ 286,133.76	\$ (6.73)	0.00%
Debt Service				
1 Voter Approved Debt Service	\$ 2,777,907.00	\$ 2,459,652.00	\$ (318,255.00)	
2 LT Facilities Debt Service	\$ 678,758.43	\$ 822,632.65	\$ 143,874.22	
3 Reduction for Excess Fund Balance	\$ (259,808.40)	\$ (118,233.94)	\$ 141,574.46	
4 Debt Service Fund Adjustments	\$ (3,713.63)	\$ (23,830.29)	\$ (20,116.66)	
Total Debt Service Levy	\$ 3,193,143.40	\$ 3,140,220.42	\$ (52,922.98)	-1.66%
Total Certified Levy	\$ 11,249,552.09	\$ 11,709,278.22	\$ 459,726.13	4.09%

Levy Limitation Comparison

2018 Final Projected Tax Levy



2017 Tax Levy



Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: +163,653
- Use of funds: general operating expenses
- Reason for increase:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - Because the District's total property value increased, share of funding provided through tax levy increased
 - On November 3, 2015, voters approved an operating referendum question of \$775 per pupil
 - The levy was proposed to start in 2017



Explanation of Levy Changes

- Category: Student Achievement
- Change: -50,168
- Use of funds: general operating expenses
- Reason for decrease:
 - This was a general education levy imposed on adjusted net tax capacity which proportionately affects a school district's general education aid
 - Revenue neutral to school districts



Explanation of Levy Changes

- Category: Operating Capital
- Change: -54,540
- Use of funds: equipment, building maintenance, and other capital expenses
- Reason for decrease:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - When 2015 legislation created a new category of revenue (LTFM), the local share of operating capital revenue was reduced to offset the tax impact of new revenue



Explanation of Levy Changes

- Category: Other Postemployment Benefits
- Change: +372,342
- Use of funds: other post employment benefit costs
- Reason for increase:
 - The district realized an increase in health insurance premiums for the October 1, 2017 plan year, more retirees, and a higher actuarial value on our implicit rate subsidy



Explanation of Levy Changes

- Category: Long-Term Facilities Maintenance
- Change: +240,107
- Use of funds: state approved projects on 10 year facilities plan
- Reason for increase:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - Formula increased by the State from \$292 per pupil to \$380 per pupil



Explanation of Levy Changes

- Category: General Fund Adjustments
- Change: -223,007
- Use of funds: general operating expenses
- Reason for decrease:
 - Annually, the Minnesota Department of Education adjusts final program revenues to actual final expenditures or final allocations for per student-based funding programs
 - Adjustments this year are primarily in the areas of long-term facility maintenance and health & safety projects



Explanation of Levy Changes

- Category: Voter-Approved Debt Service
- Change: -318,255
- Use of funds: principal and interest on voter-approved building bonds
- Reason for decrease:
 - Decrease in principal and interest payments based on payment schedule



Explanation of Levy Changes

- Category: Long-Term Facility Debt Service
- Change: +143,874
- Use of funds: principal and interest on Long-Term Facility Maintenance Revenue bonds
- Reason for increase:
 - Districts can issue bonds for the program, levy on a pay-as-you-go basis, or a combination of the two
 - Increase in principal and interest payments based on payment schedule



Explanation of Levy Changes

- Category: Reduction for Excess Fund Balance
- Change: +141,574
- Use of funds: to cover delinquencies in tax collections
- Reason for increase:
 - School districts have to levy 105% of their bond and interest payments to cover future delinquent tax collections
 - The State reviews the Debt Service fund balance and makes adjustments accordingly



Proposed Levy Payable 2018

Monticello School District #882 Analysis of Impact of Proposed 2018 Tax Levy and Rates Using Final Levy Payable in 2017 as Base Year		
Tax Rate Calculations Used for Truth in Taxation Notices	2017 Final Levy	2018 Projected Levy
Net Levy on Referendum Market Value	5,374,593	5,634,069
Total Referendum Market Value	2,531,722,575	2,733,087,366
Total RMV Tax Rate (applied to Estimated Market Value)	0.21229%	0.20614%
Net Levy on Net Tax Capacity	5,874,959	6,075,209
Net Tax Capacity Value	36,172,423	38,900,098
Total NTC Tax Rate (applied to Taxable Market Value)	16.2420%	15.6170%



Impact of Taxpayers

- Following are tables and graphs showing examples of changes in the school district portion of property taxes from 2015 to 2018
 - Actual changes in value may be more or less than this for any parcel of property
 - Amounts for 2018 are preliminary estimates, based on best data available now - final figures could change slightly
 - Estimates were prepared by Ehlers (District's financial advisors)



Monticello School District No. 882

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	\$331	\$326	\$329	\$318	-\$13	-\$11
	125,000	434	427	426	412	-22	-14
	150,000	538	527	524	506	-32	-18
	175,000	642	628	621	600	-42	-21
	200,000	746	729	718	695	-51	-23
	250,000	954	931	913	883	-71	-30
	300,000	1,162	1,132	1,107	1,071	-91	-36
	350,000	1,370	1,334	1,302	1,259	-111	-43
	400,000	1,578	1,536	1,497	1,447	-131	-50
500,000	1,976	1,923	1,874	1,812	-164	-62	

Tax Rates				
Tax Capacity Rate	22.882	20.857	16.242	15.617
Referendum Market Value Rate	0.16632	0.17604	0.21229	0.20614

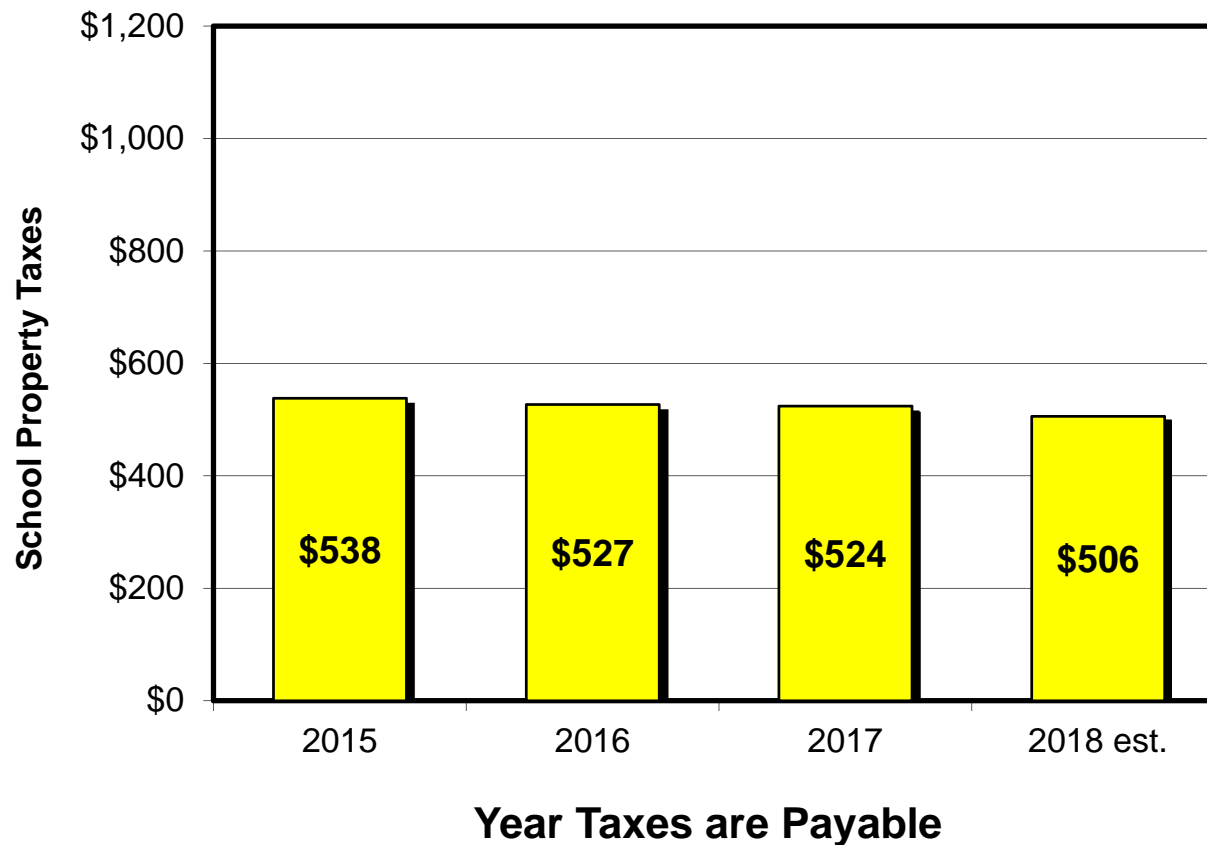
General Notes

1. The 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 as of the date above.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2015 through 2018.

Monticello School District No. 882

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

Example 1: \$150,000* Residential Homestead Property



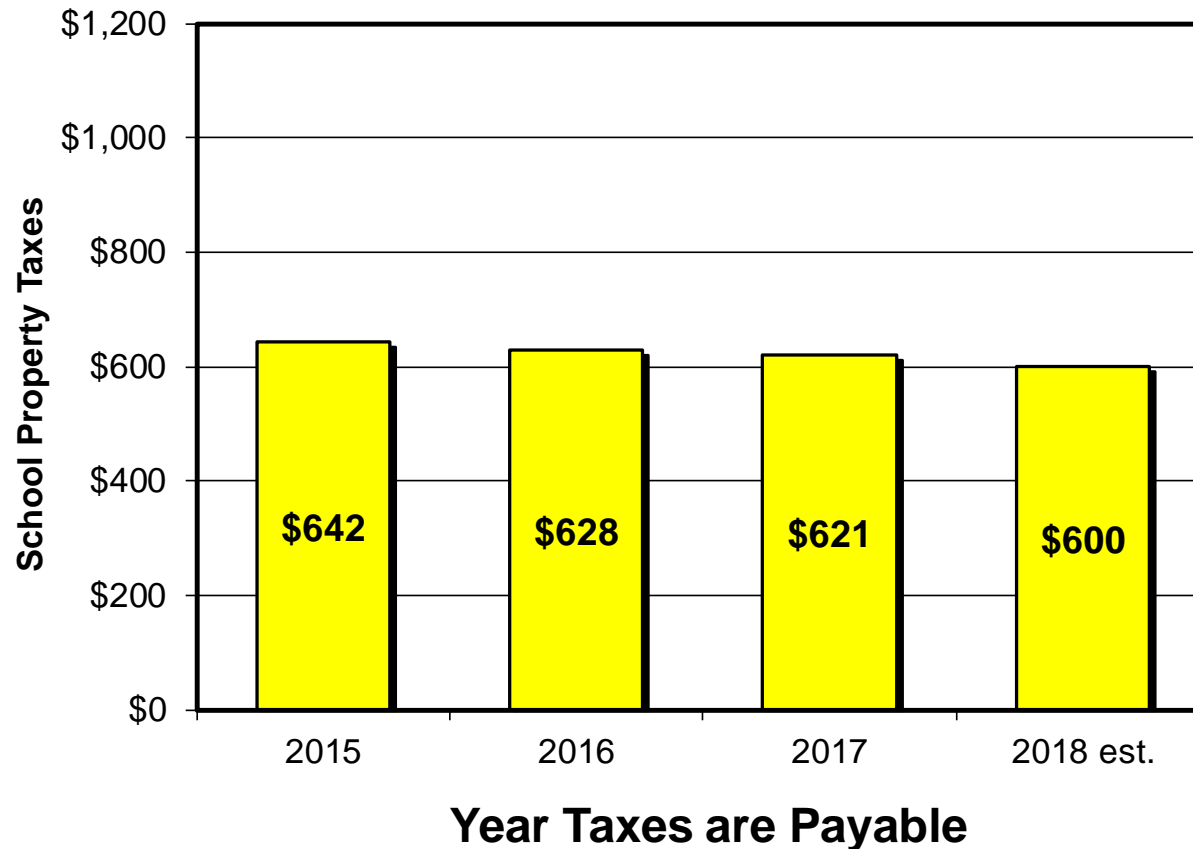
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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on No Increases in Property Values

Example 2: \$175,000* Residential Homestead Property



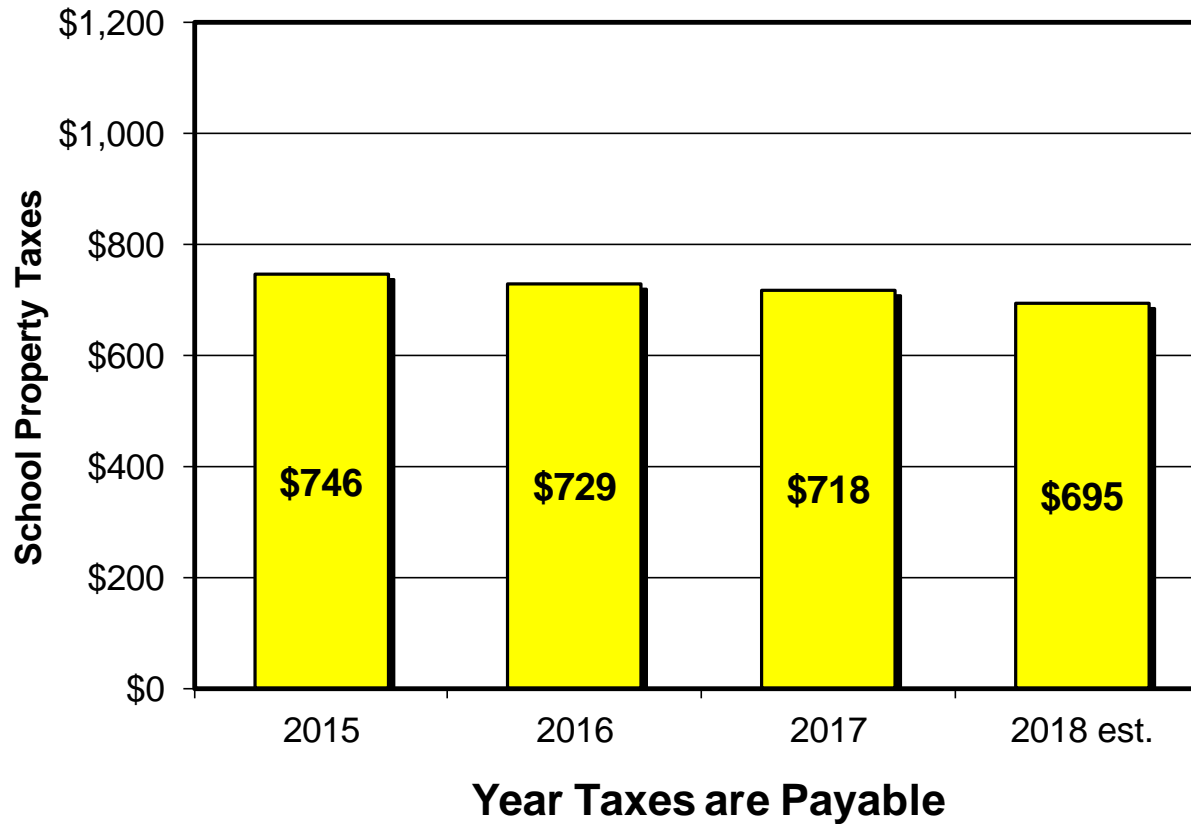
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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on No Increases in Property Values

Example 3: \$200,000* Residential Homestead Property



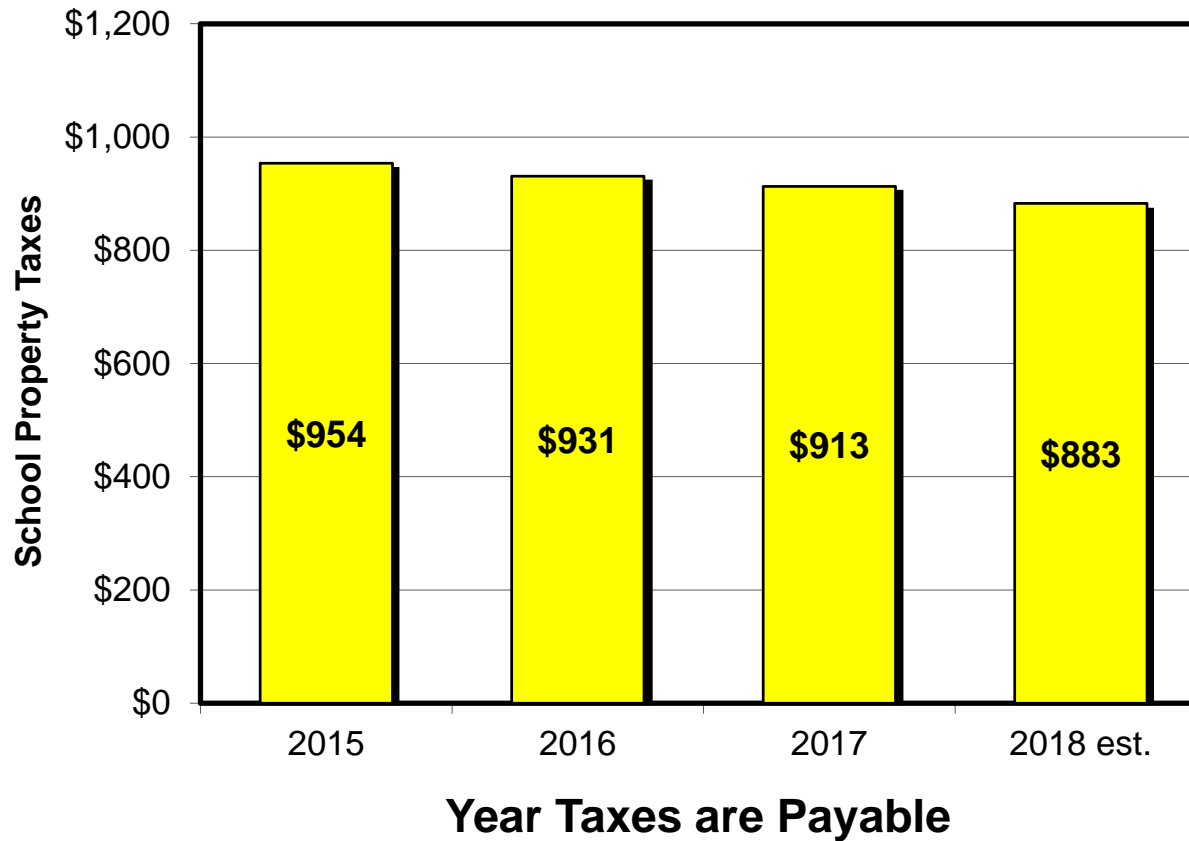
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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on No Increases in Property Values

Example 4: \$250,000* Residential Homestead Property



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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 15.8% Cumulative Changes in Property Value from 2015 to 2018 Taxes

Type of Property	Estimated Market Value	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
Residential Homestead	\$86,384	\$274	\$90,703	\$288	\$95,238	\$310	\$100,000	\$318	\$44	\$8
	107,980	364	113,379	380	119,048	403	125,000	412	48	9
	129,576	453	136,054	471	142,857	496	150,000	506	53	10
	151,172	543	158,730	563	166,667	588	175,000	600	57	12
	172,768	633	181,406	654	190,476	681	200,000	695	62	14
	215,959	813	226,757	837	238,095	866	250,000	883	70	17
	259,151	992	272,109	1,020	285,714	1,052	300,000	1,071	79	19
	302,343	1,172	317,460	1,203	333,333	1,237	350,000	1,259	87	22
	345,535	1,351	362,812	1,386	380,952	1,423	400,000	1,447	96	24
	431,919	1,707	453,515	1,744	476,190	1,784	500,000	1,812	105	28

Tax Rates				
Tax Capacity Rate		22.882	20.857	16.242
Referendum Market Value Rate	0.16632		0.17604	0.21229
				15.617
				0.20614

General Notes

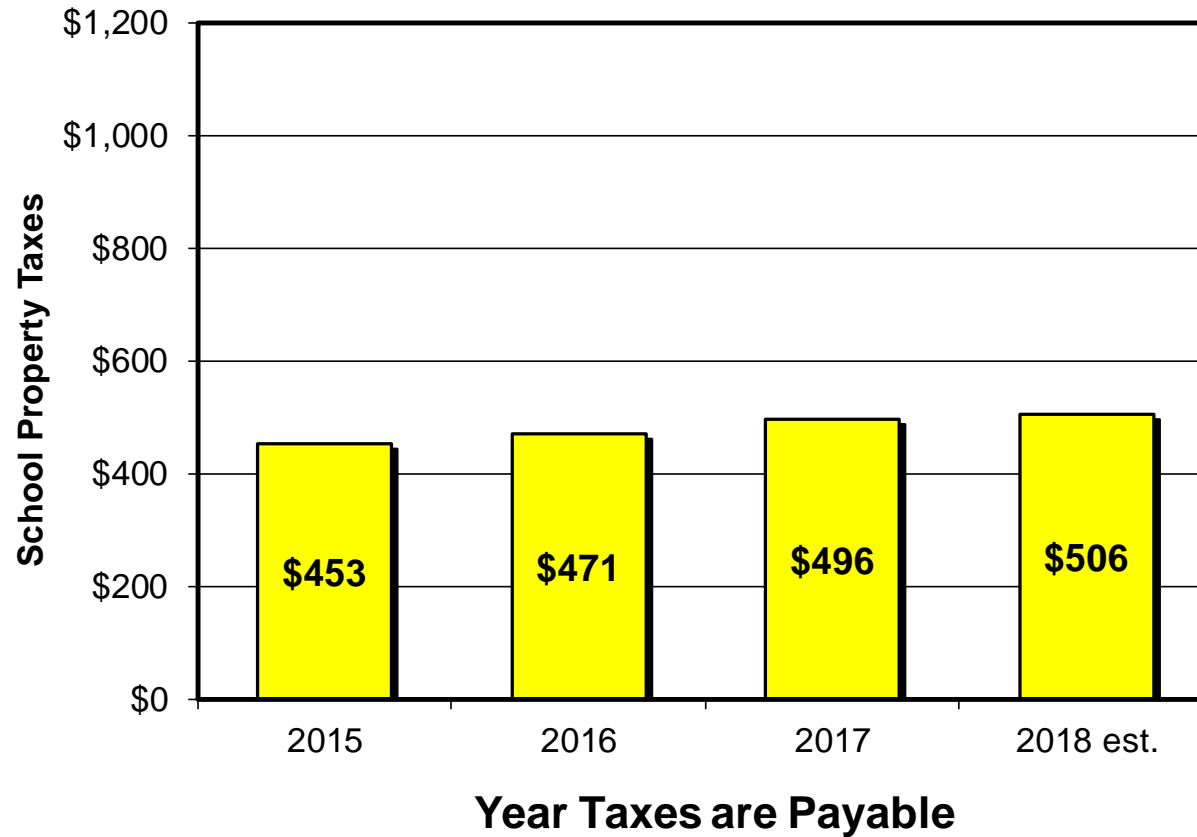
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2. Estimates of taxes payable in 2018 are preliminary, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of 5.0% from 2015 to 2016 taxes, 5.0% from 2016 to 2017, and 5.0% from 2017 to 2018.

Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 15.8% Cumulative Changes in Property Value from 2015 to 2018 Taxes

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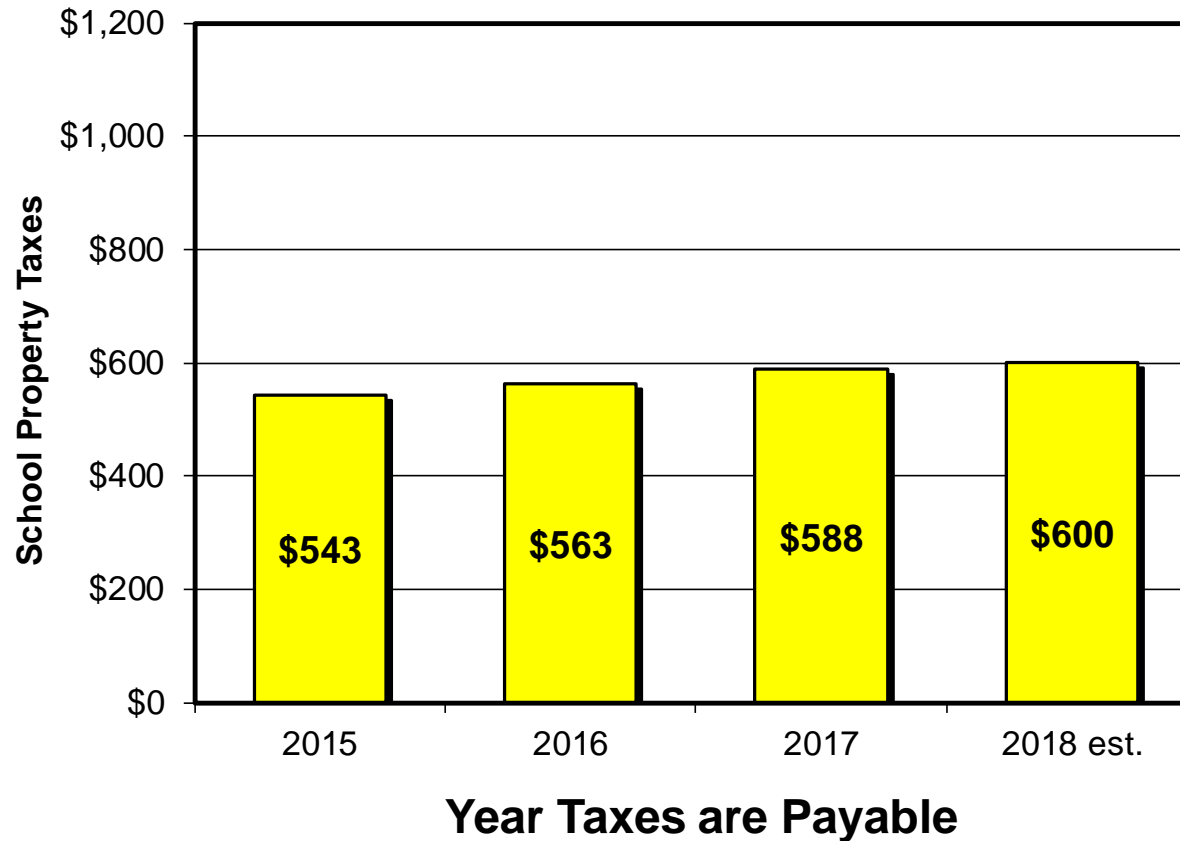
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Monticello School District No. 882

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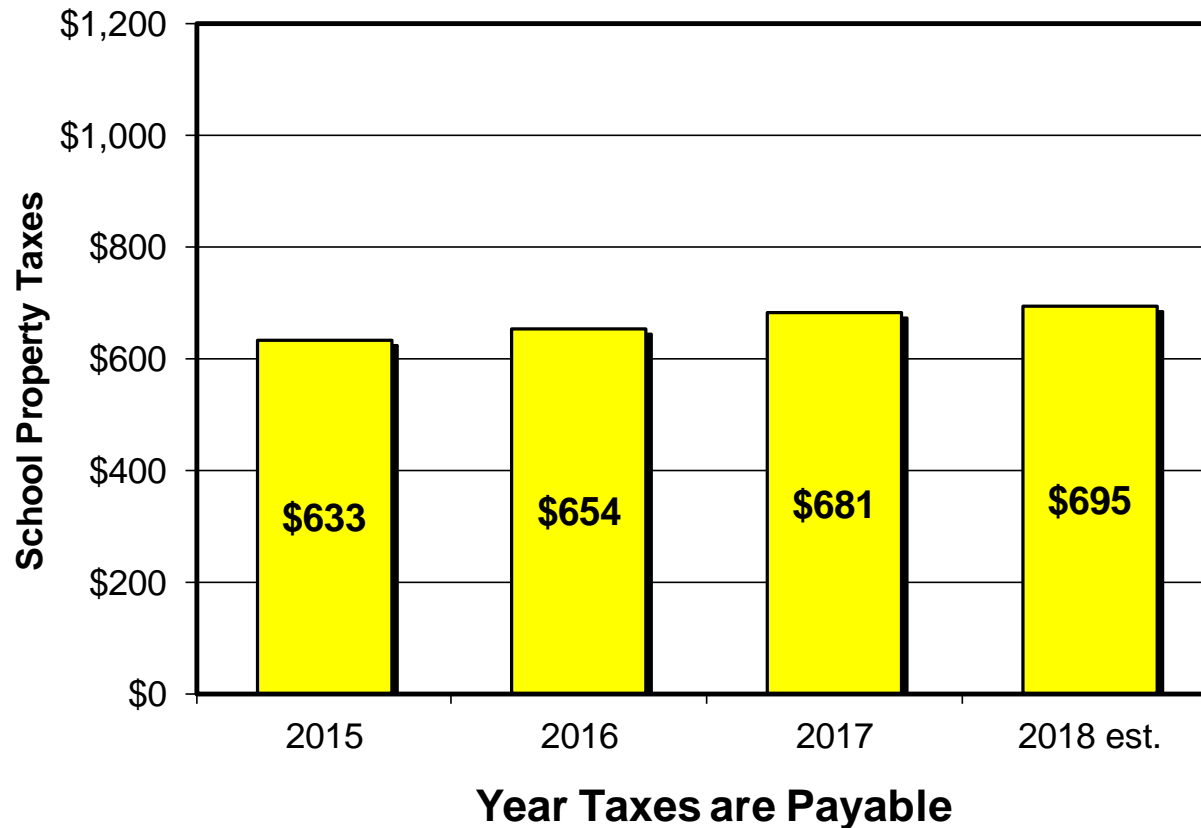
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Monticello School District No. 882

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Based on 15.8% Cumulative Changes in Property Value from 2015 to 2018 Taxes

Example 3: \$200,000* Residential Homestead Property



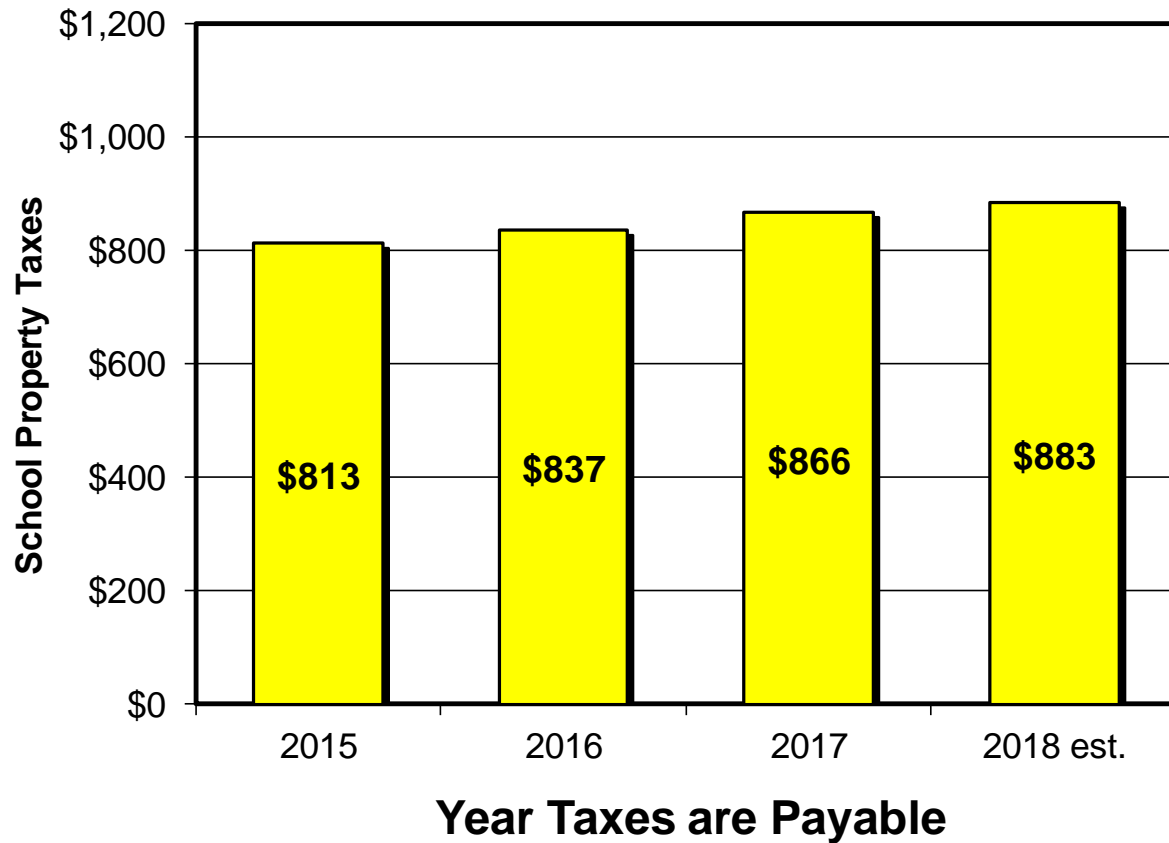
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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 15.8% Cumulative Changes in Property Value from 2015 to 2018 Taxes

Example 4: \$250,000* Residential Homestead Property



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State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue website at www.taxes.state.mn.us



State Property Tax Refunds

- Minnesota Property Tax Refund (aka “Circuit Breaker” Refund)
- Special Property Tax Refund
- Senior Citizen Property Tax Deferral



Final Levy Adoption

DATE: December 18, 2017
TIME: 6:00 pm
PLACE: Monticello Middle School
Board Room

