



Truth in Taxation 2016 Proposed Property Tax Levy

Monticello Public Schools

District Office

December 7, 2015

6:00 pm

Truth in Taxation Timeline

2015 Payable 2016 Levy

- For -

2016-2017 School Year

- Or -

FY2017



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

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



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



2015-2016 Adopted Budget

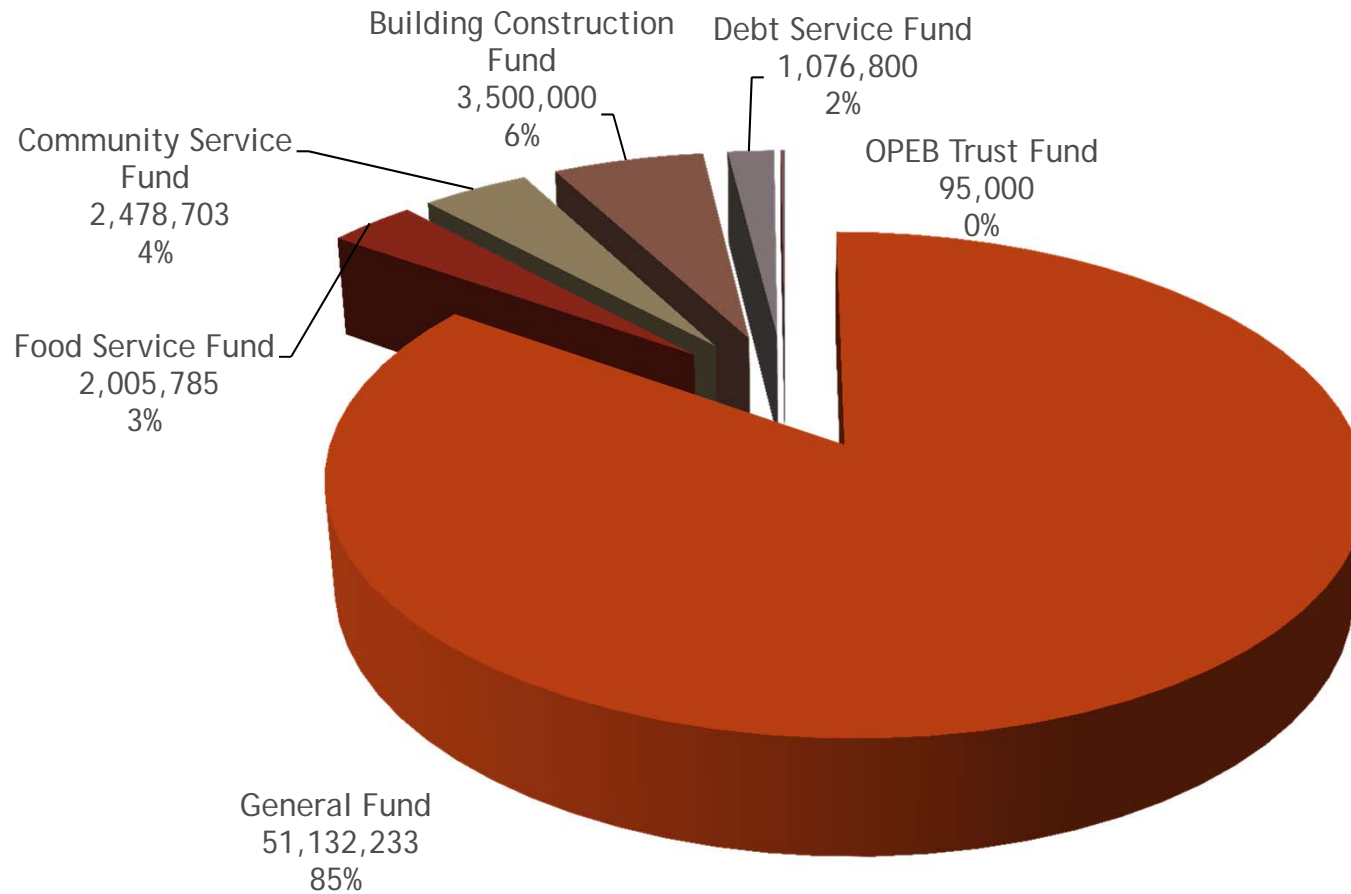
	6/30/2015 Audited Balance	Revenues	Expenditures	6/30/2016 Projected Balance
General Fund *	7,299,987	51,132,233	52,181,118	6,251,102
Food Service	125,154	2,005,785	1,997,551	133,388
Community Service **	644,759	2,478,703	2,418,513	704,949
Building Construction	(761,552)	3,500,000	2,011,500	726,948
Debt Service	1,201,810	1,076,800	1,495,000	783,610
OPEB Trust	1,934,354	95,000	57,265	1,972,089
Total	10,444,512	60,288,521	60,160,947	10,572,086

* Includes the Special Education Cooperative fund

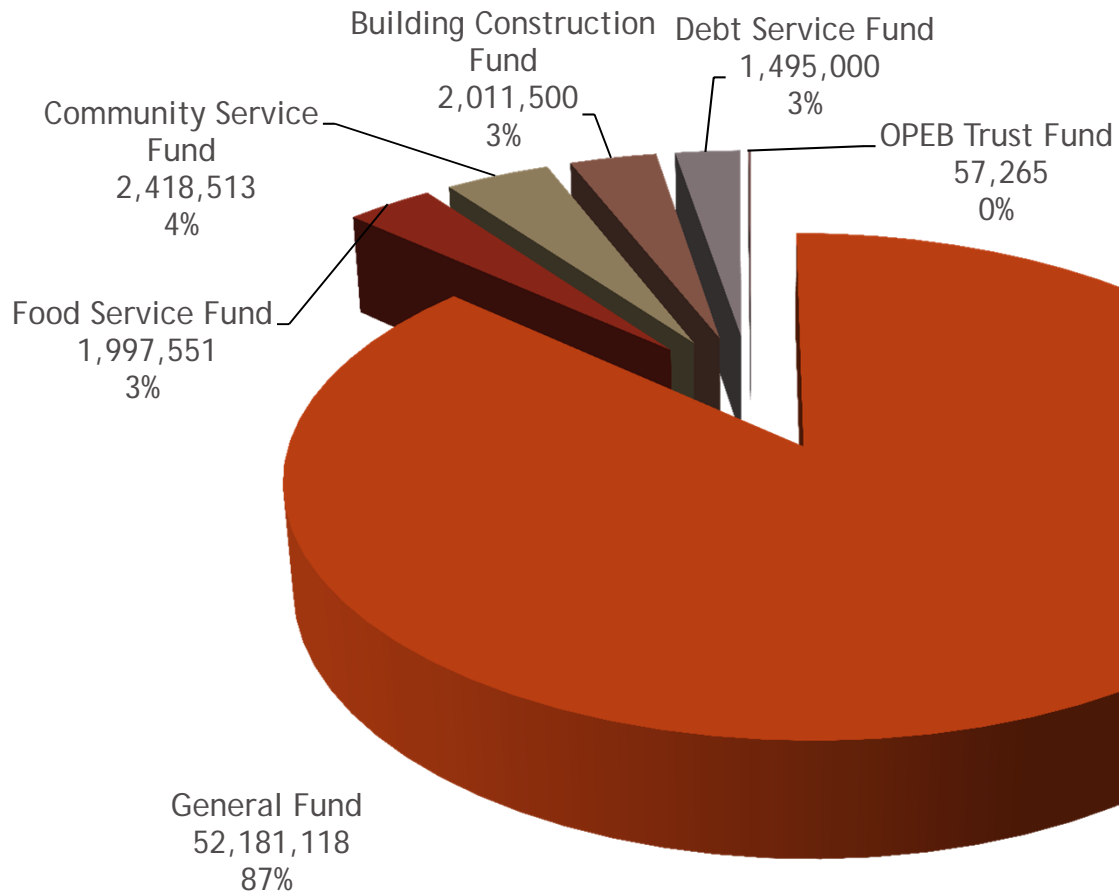
** Includes the Hockey fund



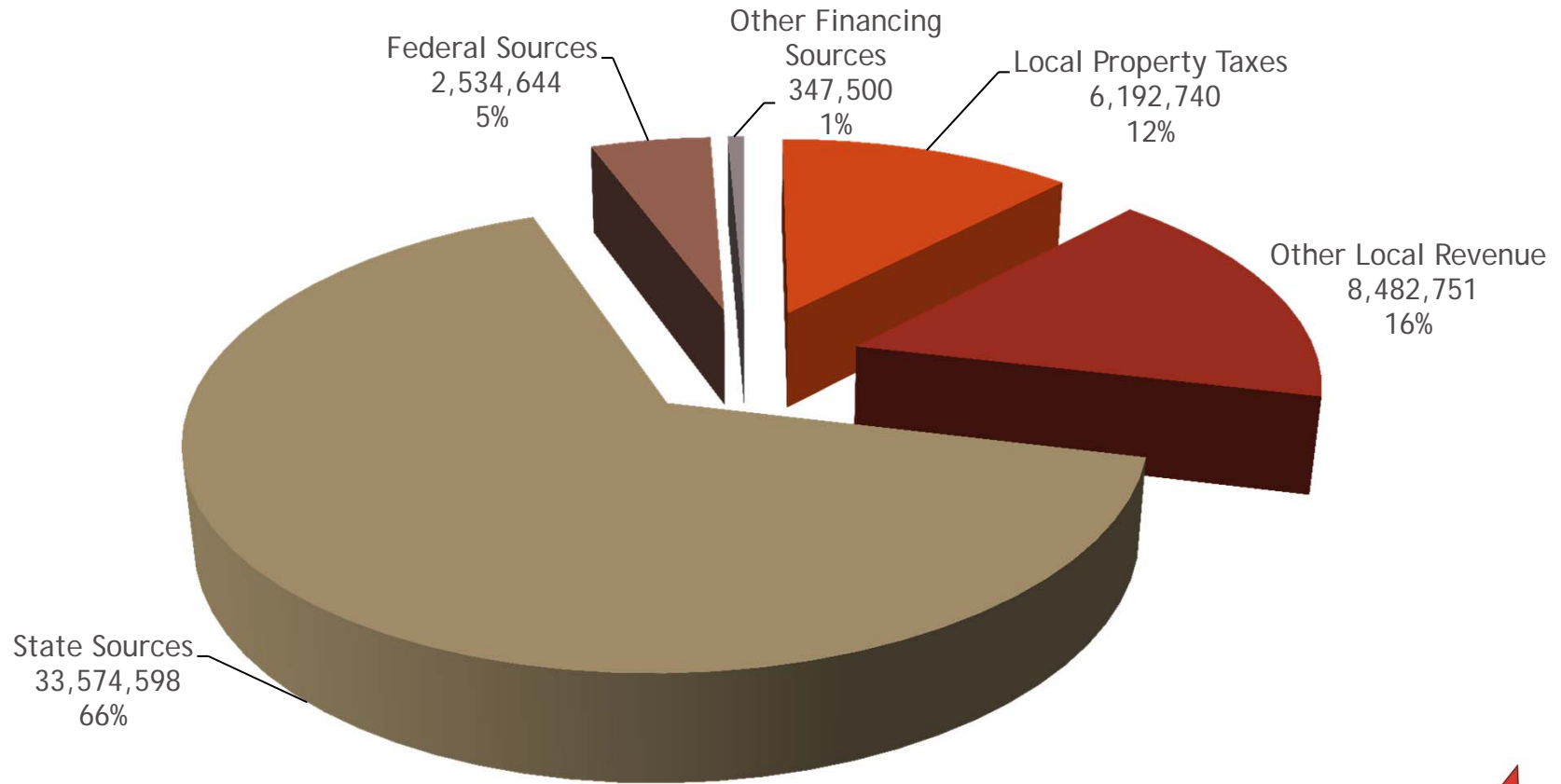
2015-2016 Revenue Budget



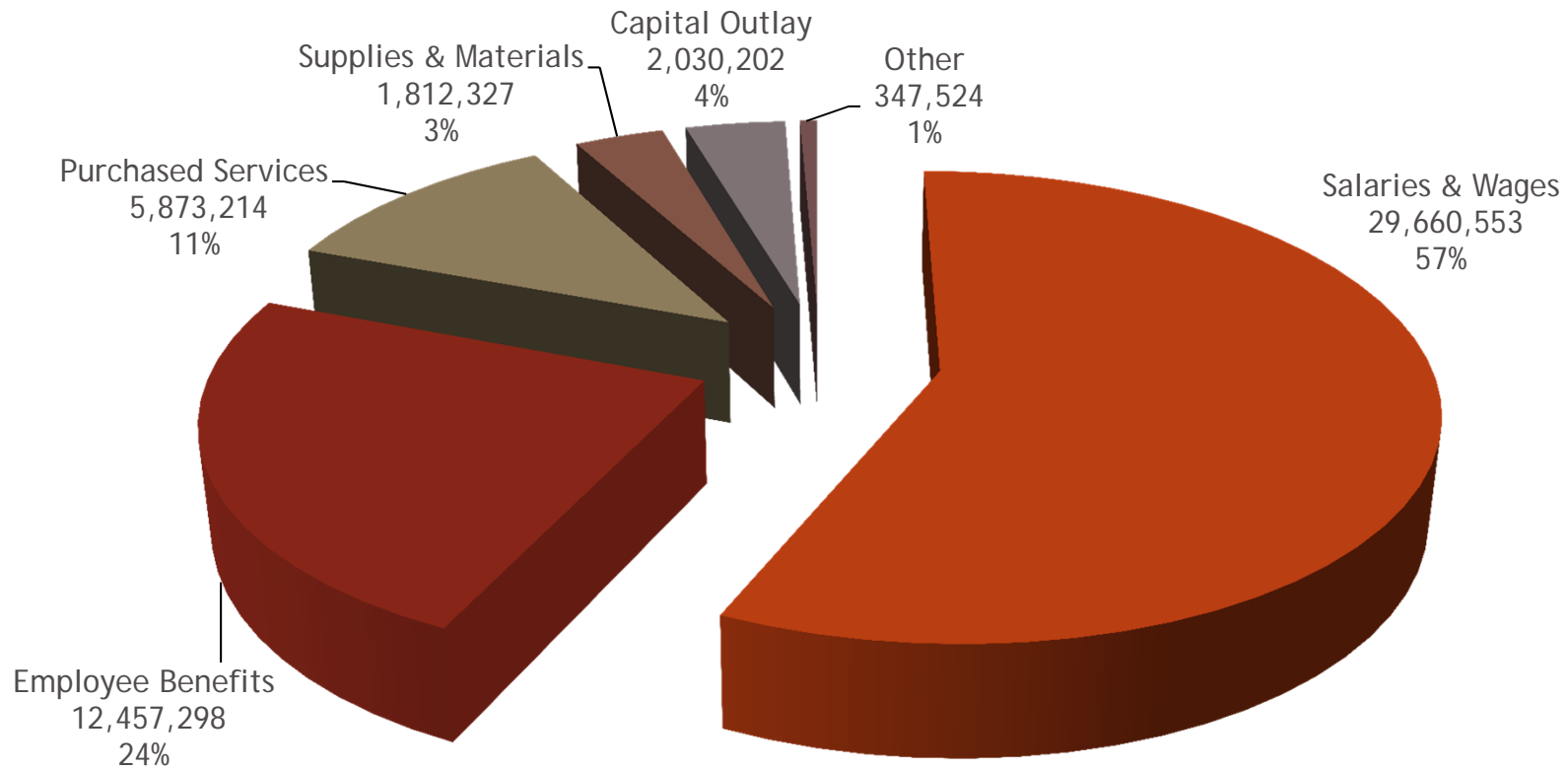
2015-2016 Expenditure Budget



2015-2016 General Fund Rev.



2015-2016 General Fund Exp.



Proposed Levy Payable 2016

- 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 2016

- 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 2016

- 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 2016

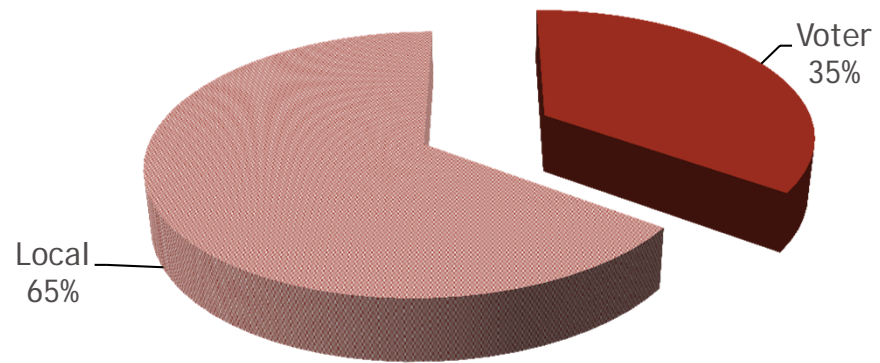
Monticello School District #882				December 2, 2015	
Comparison of Proposed Tax Levy Payable in 2016 to Actual Levy Payable in 2015 by Fund Using Final Levy Payable in 2015 as Base Year					
	2015 Final Levy	2016 Projected Levy for TNT Notices	2016 Final Projected Levy	Change from Prior Year	Percent Change
General Fund					
1 Voter Approved Referendum	1,549,568	1,821,279	1,821,279	271,711	
2 Equity	472,748	559,228	559,228	86,480	
3 Local Optional Revenue	1,549,993	1,812,372	1,812,372	262,379	
4 Transition	23,944	27,998	27,998	4,053	
5 Student Achievement	85,650	92,658	92,658	7,008	
6 Operating Capital	392,721	461,362	461,362	68,642	
7 Reemployment Ins	20,000	7,500	7,500	(12,500)	
8 Safe Schools	159,134	158,674	158,674	(461)	
9 Career Technical	35,974	35,076	35,076	(897)	
10 Other Postemployment Benefits	494,652	502,941	502,941	8,289	
11 Health and Safety	4,392,900	-	-	(4,392,900)	
12 Deferred Maintenance	249,274	-	-	(249,274)	
13 LT Facilities Equal	-	446,399	446,399	446,399	
14 LT Facilities Unequal	-	2,768,356	2,768,356	2,768,356	
15 Lease Levy	175,028	179,337	179,337	4,309	
16 General Fund Adjustments	(3,374)	50,542	50,542	53,916	
Total General Fund Levy	9,598,213	8,923,722	8,923,722	\$ (674,491)	-7.03%

Proposed Levy Payable 2016

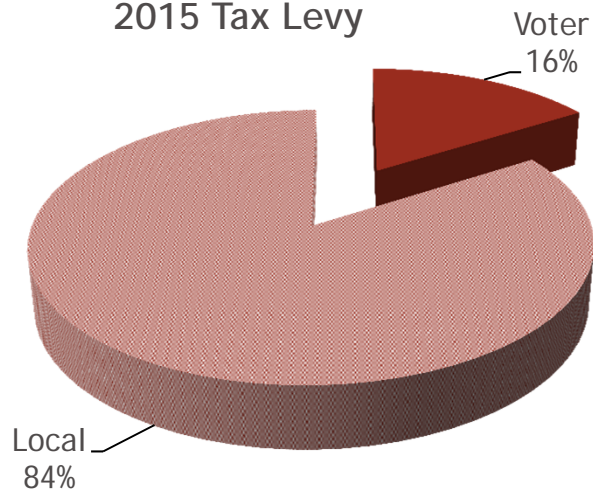
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	2015 Final Levy	2016 Projected Levy for TNT Notices	2016 Final Projected Levy	Change from Prior Year	Percent Change
Community Service					
1 Basic Community Education	154,392	159,920	159,920	5,528	
2 Early Childhood Family Education	97,814	104,991	104,991	7,177	
3 Home Visiting	2,050	2,248	2,248	198	
4 Adults with Disabilities	6,900	6,900	6,900	-	
5 CE Adjustments	(943)	426	426	1,370	
Total Community Service Levy	260,212	274,485	274,485	\$ 14,273	5.49%
Debt Service					
1 Voter Approved Debt Service	206,010	204,750	2,352,670	2,146,660	
2 Debt Service-Other	1,360,590	-	-	(1,360,590)	
3 LT Facilities Debt Service	-	254,945	254,945	254,945	
4 Reduction for Excess Fund Balance	(505,422)	(353,793)	(246,397)	259,025	
5 Debt Service Fund Adjustments	14,620	15,013	15,013	393	
Total Debt Service Levy	1,075,798	120,915	2,376,231	\$ 1,300,433	120.88%
Total Certified Levy	10,934,223	9,319,121	11,574,437	\$ 640,214	5.86%

Levy Limitation Comparison

2016 Final Projected Tax Levy



2015 Tax Levy



Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: +271,711
- 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
 - Voter approved referendum revenue will increase due to increasing property values and, thus, a lesser portion being paid by state aid



Explanation of Levy Changes

- Category: Equity
- Change: +86,480
- 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
 - Equity revenue will increase due to increasing property values and, thus, a lesser portion being paid by state aid



Explanation of Levy Changes

- Category: Local Optional
- Change: +262,379
- 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
 - Local Optional revenue will increase due to increasing property values and, thus, a lesser portion being paid by state aid



Explanation of Levy Changes

- Category: Operating Capital
- Change: +68,642
- Use of funds: equipment, building maintenance, and other capital expenses
- Reason for increase:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - Operating capital revenue will increase due to increasing property values and, thus, a lesser portion being paid by state aid



Explanation of Levy Changes

- Category: Health & Safety
- Change: -4,392,900
- Use of funds: state approved capital projects related to health & safety
- Reason for decrease:
 - This levy is being replaced by the Long-Term Facility Maintenance Revenue levy



Explanation of Levy Changes

- Category: Deferred Maintenance
- Change: -249,274
- Use of funds: deferred maintenance projects necessary to prevent further erosion of facilities
- Reason for decrease:
 - This levy is being replaced by the Long-Term Facility Maintenance Revenue levy



Explanation of Levy Changes

- Category: Long-Term Facilities Maintenance
- Change: +3,214,755
- Use of funds: state approved projects on 10 year facilities plan
- Reason for increase:
 - New legislation converted old Health & Safety and Deferred Maintenance into new program
 - Includes phase 2 of Middle School HVAC project



Explanation of Levy Changes

- Category: General Fund Adjustments
- Change: +53,916
- Use of funds: general operating expenses
- Reason for increase:
 - 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 voter approved referendum, reemployment insurance, and health & safety



Explanation of Levy Changes

- Category: Voter-Approved Debt Service
- Change: +2,146,660
- Use of funds: principal and interest on voter-approved building bonds
- Reason for increase:
 - On November 3, 2015, voters approved a \$39,325,000 bond referendum
 - The bonds will be sold in January 2016



Explanation of Levy Changes

- Category: Debt Service - Other
- Change: -1,360,590
- Use of funds: principal and interest on alternative facilities bonds
- Reason for decrease:
 - Final debt payments of the alternative facilities bonds for mechanical and ventilation improvements at Eastview



Explanation of Levy Changes

- Category: Long-Term Facility Revenue Debt Service
- Change: +254,945
- Use of funds: principal and interest on Long-Term Facility Maintenance Revenue bonds
- Reason for increase:
 - New legislation converted old Health & Safety and Deferred Maintenance into new program
 - Districts can issue bonds for the program, levy on a pay-as-you-go basis, or a combination of the two



Explanation of Levy Changes

- Category: Reduction for Excess Fund Balance
- Change: +259,025
- 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 2016

Tax Rates Before November 3rd

Monticello School District #882 Analysis of Impact of Proposed 2016 Tax Levy and Rates Using Final Levy Payable in 2015 as Base Year		
Tax Rate Calculations Used for Truth in Taxation Notices	2015 Final Levy	2016 Projected Levy
Net Levy on Referendum Market Value	3,695,121	4,200,533
Total Referendum Market Value	2,221,751,625	2,385,926,875
Total RMV Tax Rate (applied to Estimated Market Value)	0.16632%	0.17605%
Net Levy on Net Tax Capacity	7,239,101	5,118,588
Net Tax Capacity Value	31,636,594	34,155,642
Total NTC Tax Rate (applied to Taxable Market Value)	22.8821%	14.9861%



Proposed Levy Payable 2016

Tax Rates After November 3rd

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Net Levy on Referendum Market Value	3,695,121	4,200,533
Total Referendum Market Value	2,221,751,625	2,385,926,875
Total RMV Tax Rate (applied to Estimated Market Value)	0.16632%	0.17605%
Net Levy on Net Tax Capacity	7,239,101	7,373,904
Net Tax Capacity Value	31,636,594	34,155,642
Total NTC Tax Rate (applied to Taxable Market Value)	22.8821%	21.5891%



Proposed Levy Payable 2016

Property Example Before November 3rd

Monticello School District #882 Analysis of Impact of Individual Property Using Final Levy Payable in 2015 as Base Year		
Residential Homestead Property	2015 Final Levy	2016 Projected Levy
Estimated Market Value	207,900.00	220,800.00
Taxable Market Value	189,400.00	203,400.00
Property Taxes - School Portion Only	779.11	693.62
Change in Property Taxes		(85.49) -10.97%



Proposed Levy Payable 2016

Property Example After November 3rd

Type of Property	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	Estimated Market Value for 2016 Taxes	Estimated Taxes Payable in 2016		Total Estimated Taxes Payable in 2016	Change in Taxes 2015 to 2016
				Without Bond Issue	Bond Issue*		
Residential Homestead	\$150,000	\$538	\$150,000	\$453	\$83	\$536	-\$2
	220,800	833	220,800	694	134	828	-5
	300,000	1,162	300,000	962	191	1,153	-9
	350,000	1,370	350,000	1,132	227	1,359	-11
	400,000	1,578	400,000	1,302	263	1,565	-13
	450,000	1,778	450,000	1,467	297	1,764	-14
	500,000	1,976	500,000	1,630	330	1,960	-16
	550,000	2,202	550,000	1,811	371	2,182	-20
	600,000	2,428	600,000	1,993	413	2,406	-22
650,000	2,654	650,000	2,175	454	2,629	-25	



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 21, 2015
TIME: 6:00 pm
PLACE: Monticello Middle School
Board Room

