

**INDEPENDENT SCHOOL DISTRICT NO. 625**  
**Saint Paul, Minnesota**  
**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF EDUCATION**  
**PUBLIC HEARING ON SAINT PAUL PUBLIC SCHOOLS PAY 2014 PROPERTY TAX LEVY**

**December 3, 2013**

**I. CALL TO ORDER**

The meeting was called to order at 6:02 p.m.

**II. ROLL CALL**

PRESENT: Mr. Hardy, Ms. O'Connell, Mr. Brodrick, Ms. Street-Stewart, Ms. Carroll, Ms. Doran, Ms. Seeba, Superintendent Silva, Ms. Polsfuss, Assistant Clerk

**III. APPROVAL OF THE ORDER OF THE AGENDA**

**MOTION: Ms. Carroll moved the Board approve the Order of the Agenda for the December 3, 2013 Public Hearing on SPPS Pay 2014 Property Tax Levy. Motion was seconded by Mr. Hardy.**

The motion was approved with the following roll call vote:

Mr. Hardy	Yes
Ms. O'Connell	Yes
Mr. Brodrick	Yes
Ms. Street-Stewart	Yes
Ms. Carroll	Yes
Ms. Doran	Yes
Ms. Seeba	Yes

**IV. OLD BUSINESS**

**A. Administration Presentation on the Levy**

The Superintendent stated this session offers the St. Paul community a chance to offer testimony about the District's proposed tax levy and the Board's opportunity to hear the public's input. She noted that unlike the City and the County, this discussion does not include a discussion on the SPPS budget, as schools are, by law, on a different budget calendar running from July 1 to June 30. Multiple opportunities will be offered for the public to weigh in on the budget prior to its June adoption.

The Superintendent indicated the Board has proposed a maximum levy of 1.0%, which is less than the District is authorized for under law and it is the lowest levy the Board has authorized in five years.

The Controller was then asked to provide a brief presentation on the levy. She noted State statute requires all local governments (cities, counties and school districts) to hold a public hearing prior to finalizing their levy authority to allow for public comment. The hearing must follow the release of the proposed tax notices from the county that must be sent between November 10 and November 24 via first class mail. The notice provides information on estimated taxes as well as market value and other homestead adjustments.

School levy authority is established in law. School budgets are a combination of state, federal and local funding, including voter-approved referendum. The Pay 14 school levy funds the 2014-2015 school year. State law requires the Board to adopt the district budget by June 30, 2014.

The levy process occurs in stages:

- The District submits its levy information and Minnesota Department of Education (MDE) calculates the maximum levy authorized by law.
- MDE authorized \$136,373,526 which represents a 1.98% increase.
- The Board reduced the maximum levy ceiling in September to \$135,056,533, a 1% increase.
- At the JPTAC (Joint Property Tax Advisory Committee) meeting on September 30, the City, County and school district adopted a joint levy resolution which netted a reduction of 1.7% from prior year.
- TNT notices were sent out as required by law
- A public hearing has been scheduled as required by law
- The final SPPS Pay 14 levy will be approved at the December 17 Board meeting.

The recommended Pay 14 Levy is as follows:

	Pay 13 <u>Certified</u>	Pay 14 Sept. <u>Projection</u>	<u>MDE Actual</u>	Administration <u>Recommendation</u>
General Fund Levy	\$86,417,736	\$91,283,192	\$92,589,103	\$91,272,110
Community Ed Levy	3,449,244	3,446,145	3,457,227	3,457,227
Debt Service Levy	<u>43,852,360</u>	<u>40,327,196</u>	<u>40,327,196</u>	<u>40,327,196</u>
Total All Levies	\$133,719,340	\$135,056,533	\$136,373,526	\$135,056,533
Percent Change From Pay 13		1.0%	1.98%	1.0%

2013 legislative action had a substantial impact on the Pay 14 levy calculations as it:

- Increased general education funding by 1.5%
- Restored integration aid/levy (although a new formula provides less revenue for St. Paul)
- Increased Pre-K funding beginning this year. St. Paul received funding from Pre-K scholarships to increase enrollment, along with district commitment (Pre-K enrollment is up).
- Increased and modified special ed funding and formulas.

There were also legislative changes to the referendum:

- The 2013 legislature changed the referendum levy system calculations. Under the old calculations, the referendum was \$43.5 million. Under the new calculations, the referendum remains at \$43.5 million. The bottom line for SPPS is no change in total referendum amount but changes made will provide additional tax relief.
- The referendum and the Location Equity Index (LEI) remain based on market value (all properties area taxed at the same rate using market value).

The new referendum calculation is as follows:

Old Law – includes charter and open enrollment pupils	\$835/pupil
New Law – excludes charters and open enrollment and weights	
Changes (SPPS Only)	\$967/pupil
Location Equity Revenue (LER) is then subtracted from that amount	<u>\$424/pupil</u>
Estimated new referendum	\$543/pupil

The referendum and LEI times pupil unit equals \$43.5 million for SPPS

Factors that help reduce taxes include more equalization aid for the first tier referendum and a portion of LEI. The fiscal disparities distribution increased and federal credits on qualified bonds helped to reduce debt service.

Other levy factors having an impact include: the introduction of “Pay Go” financing for alternative facilities (deferred maintenance) which moves the district from financing through bond purchases to paying cash, re-establishment of the new general education levy (student achievement levy), OPEB, pension contributions (required by law) and the Safe Schools levy.

Pay Go (Alternative facilities financing – deferred maintenance funding) allows the district to sell bonds OR “pay as you go” under the alternative facilities program. The transition to pay go saves taxpayers by reducing legal, issuance and arbitrage calculation costs associated with the annual sale of \$11 million in bonds (an estimated savings over 10 years of \$.5 million) and saves interest payments over the life of the bonds (the 10 year estimate is \$18.0 million). The reduces the district’s total debt amount in future years and also results in reducing the debt service levy for alternative facilities in future years. A graph was provided showing the change.

Staff also provided a chart showing the estimated reductions in taxes at various estimated home market value levels.

Administration’s recommendation was that the Board authorize the Pay 14 levy at \$135,056,533, a 1% increase. The would support continuation of the SSSC plan, continue to SPPS referendum commitments, reduce long term debt, maintain a high bond rating and continue SPPS compliance with federal and state obligations.

**QUESTIONS/DISCUSSION:**

- Why, if the SPPS levy is going up 1%, is the overall levy going down? Response: First of all, it is all based on the calculations related to market value and secondly, the legislature increased some revenue sharing in the fiscal disparities pool distribution for St. Paul taxpayers which reduced the overall levy.
- What is LEI? It is “Location Equity Index” and was implemented to recognize differences in locations of school districts. It recognizes that costs are higher for certain large metropolitan areas from other areas across the state. The Metro area receives location equity revenue in the amount of \$424/pupil (see referendum calculation above).
- The Board had asked for a chart outlining rental property to be included in the presentation made to the public, where is it? Response: It will be added to the presentation for the December 17 Board meeting.
- It was noted by a Board member that SPPS cannot under estimate the opportunity to reduce its debt amount and the broader benefit it will have to the region. Response: The benefits accrue over a longer period of time and aligns with the SSSC goal of sustainability. Bond costs continue to increase each year and with the legislative actions providing relief in other formulas now if the optimum time for SPPS to move to “pay go.” SPPS is also increasing savings by reducing its debt load by refinancing various bond issues at more favorable rates.

**V. PUBLIC HEARING**

The meeting then proceeded to its public hearing. There was no one who wished to speak so the meeting moved on to adjournment.

**VI. ADJOURNMENT**

**MOTION:** Ms. Doran moved the special meeting adjourn. Ms Seeba seconded the motion.

The motion was approved with the following roll call vote:

Mr. Hardy	Yes
Ms. O’Connell	Yes
Mr. Brodrick	Yes
Ms. Street-Stewart	Yes
Ms. Carroll	Yes
Ms. Doran	Yes
Ms. Seeba	Yes

The meeting adjourned at 6:23 p.m.

For clarity and to facilitate research, these minutes reflect the order of the original Agenda and not necessarily the time during the meeting the items were discussed.

Prepared and submitted by  
Marilyn Polsfuss  
Assistant Clerk, St. Paul Public Schools Board of Education