

Willmar Public Schools, ISD #347 Public Hearing for Taxes Payable in 2020



November 25, 2019

Tax Hearing Presentation Requirements

- Presentation of the current school year budget
- Presentation of the proposed property tax levy
- Public comment must be allowed

Budget Information

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

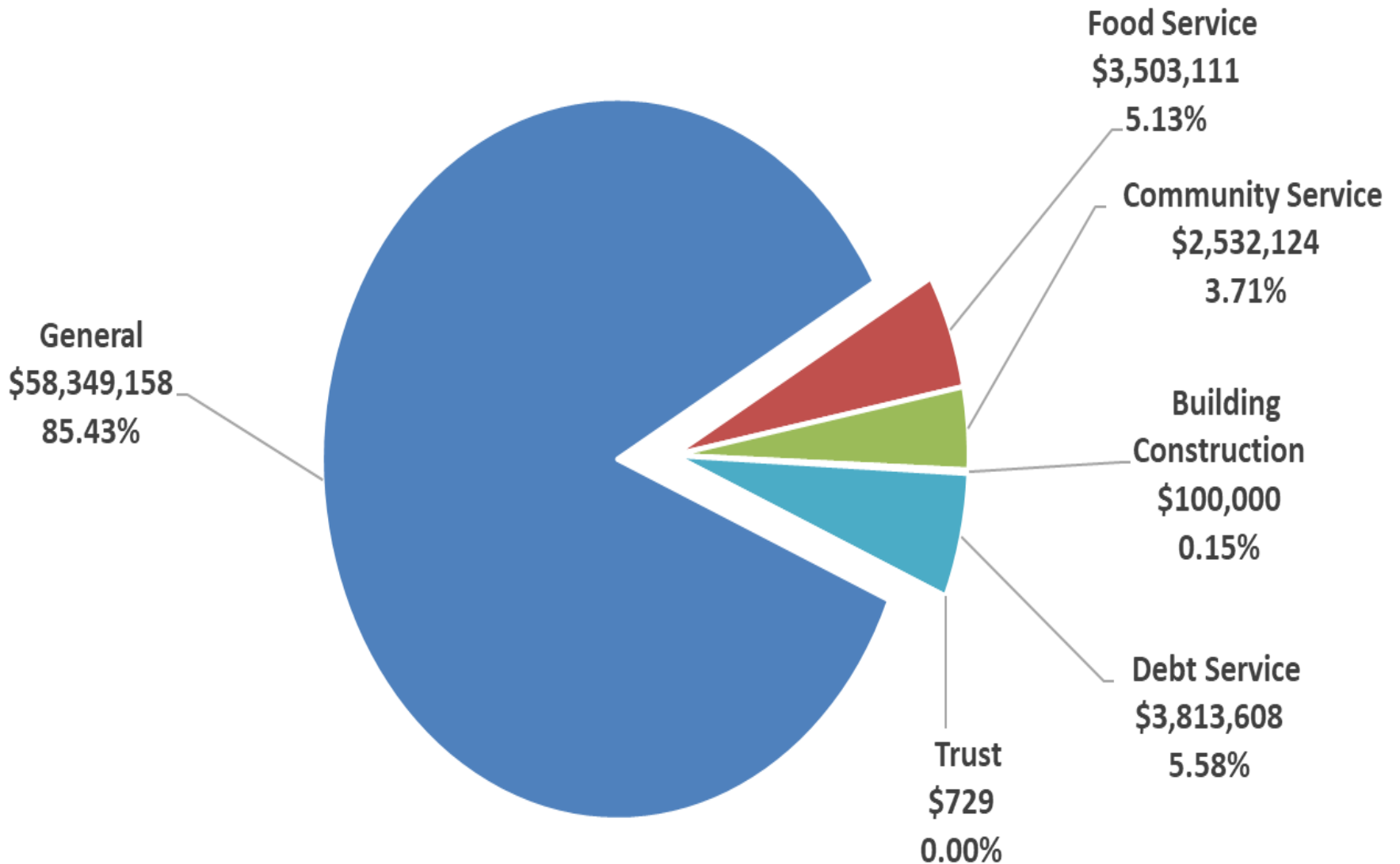
Contrast of City/County to School District Levy Cycle

- City/County - Budget Year is same as calendar year. The 2020 taxes provide revenue for the calendar year 2020 budget.
- Schools - Budget year begins July 1st and coincides with school year. The 2020 taxes provide revenue for the 2020-2021 school fiscal year. Budget will be adopted in June 2020.

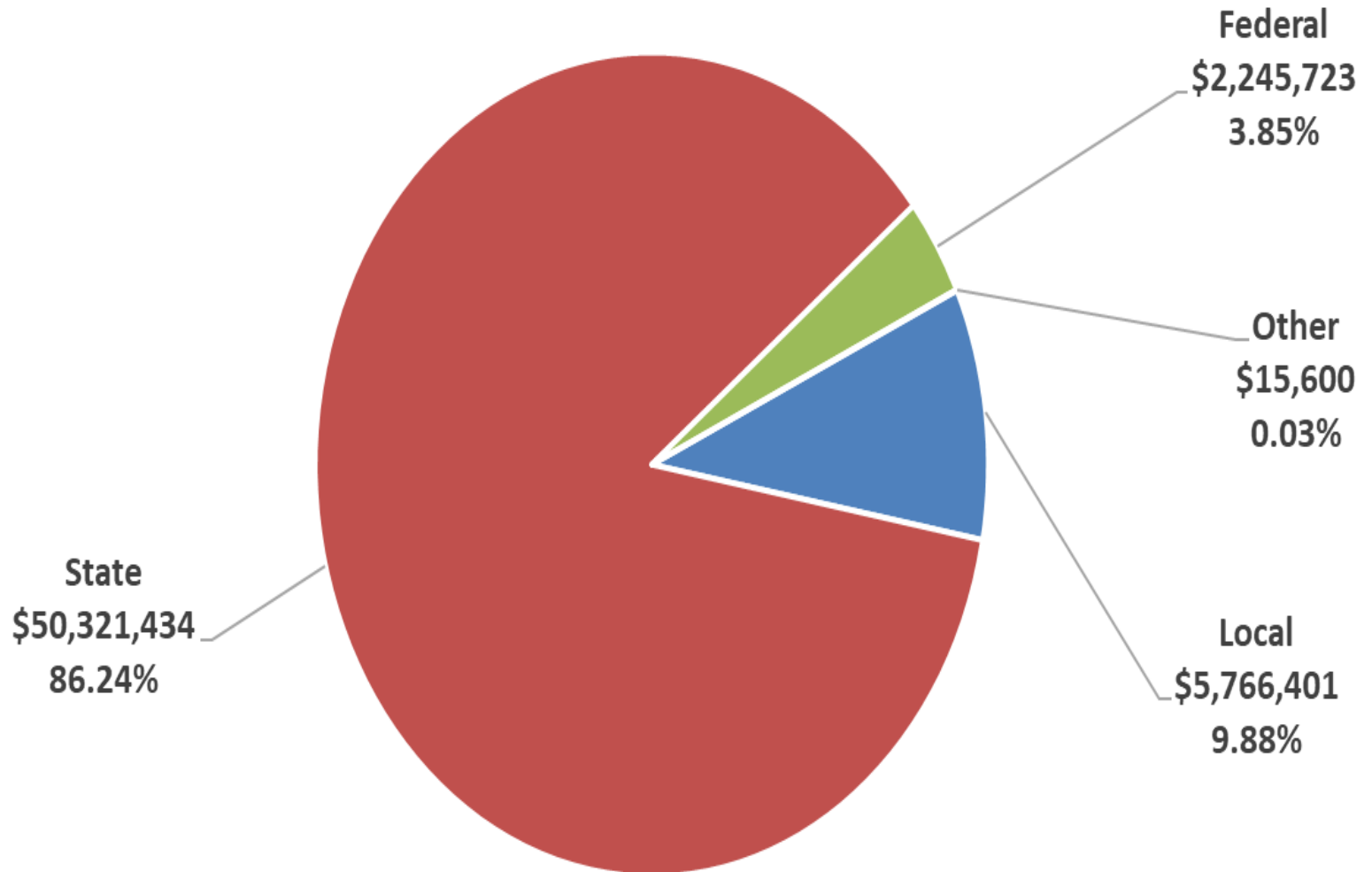
Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 8 funds:
 - General
 - Food Service
 - Community Service
 - Building Construction
 - Debt Service
 - Trust (changing due to GASB 84)
 - Internal Service
 - Agency – Integration Collaborative (changing due to GASB 84)

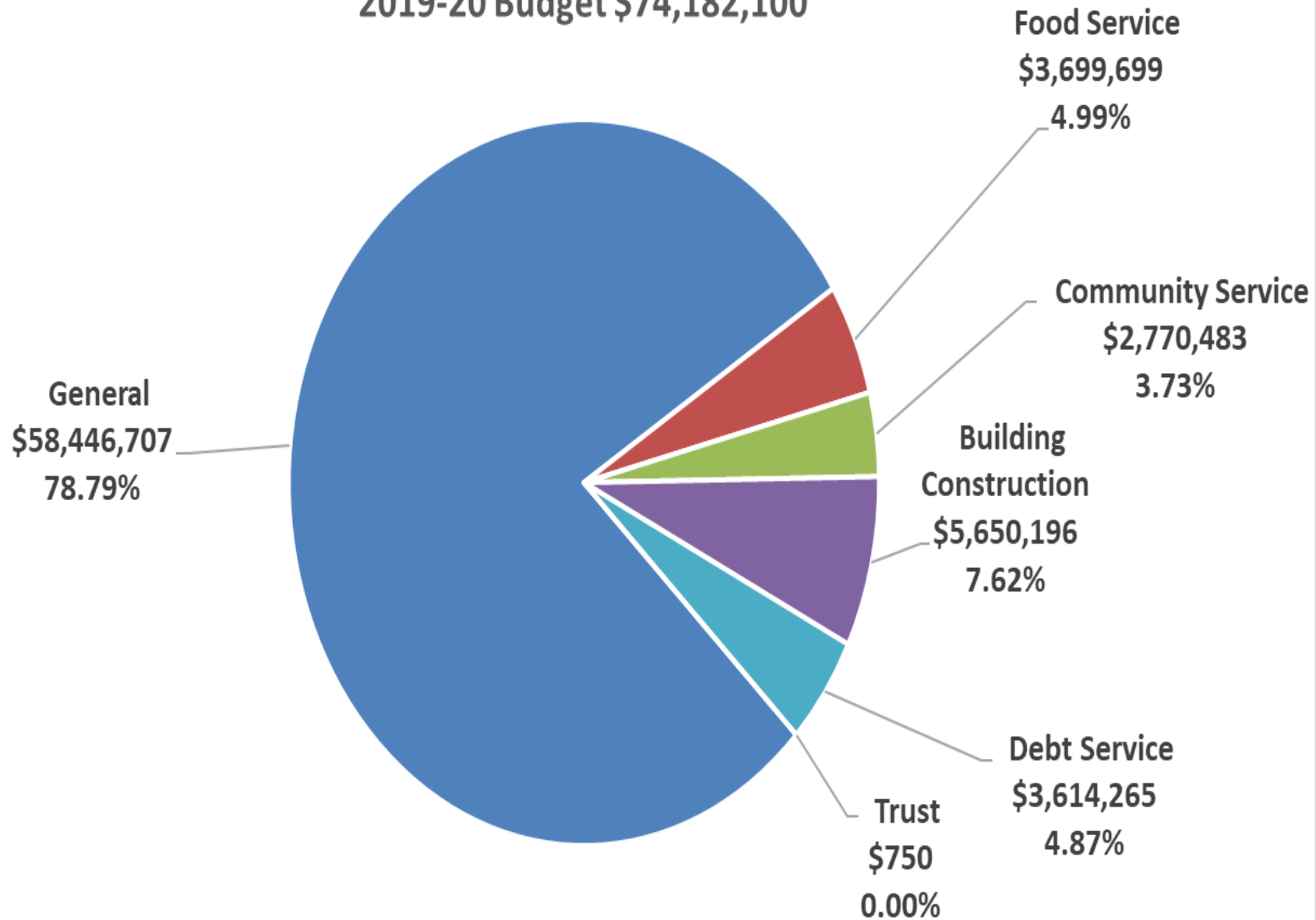
**Willmar Public Schools
Revenue
2019-20 Budget \$68,298,730**



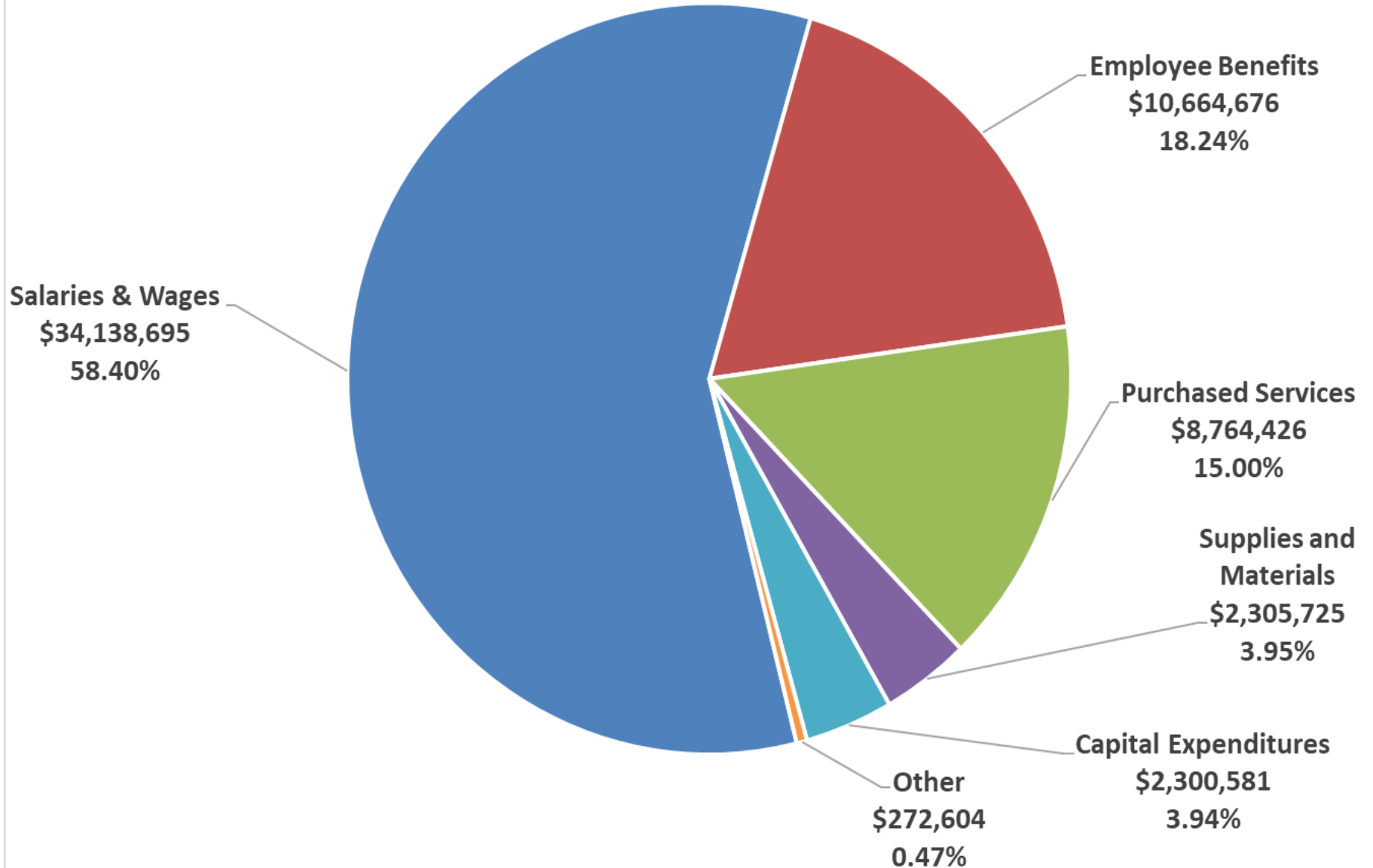
**Willmar Public Schools
General Fund Revenue
2019-20 Budget \$58,349,158**



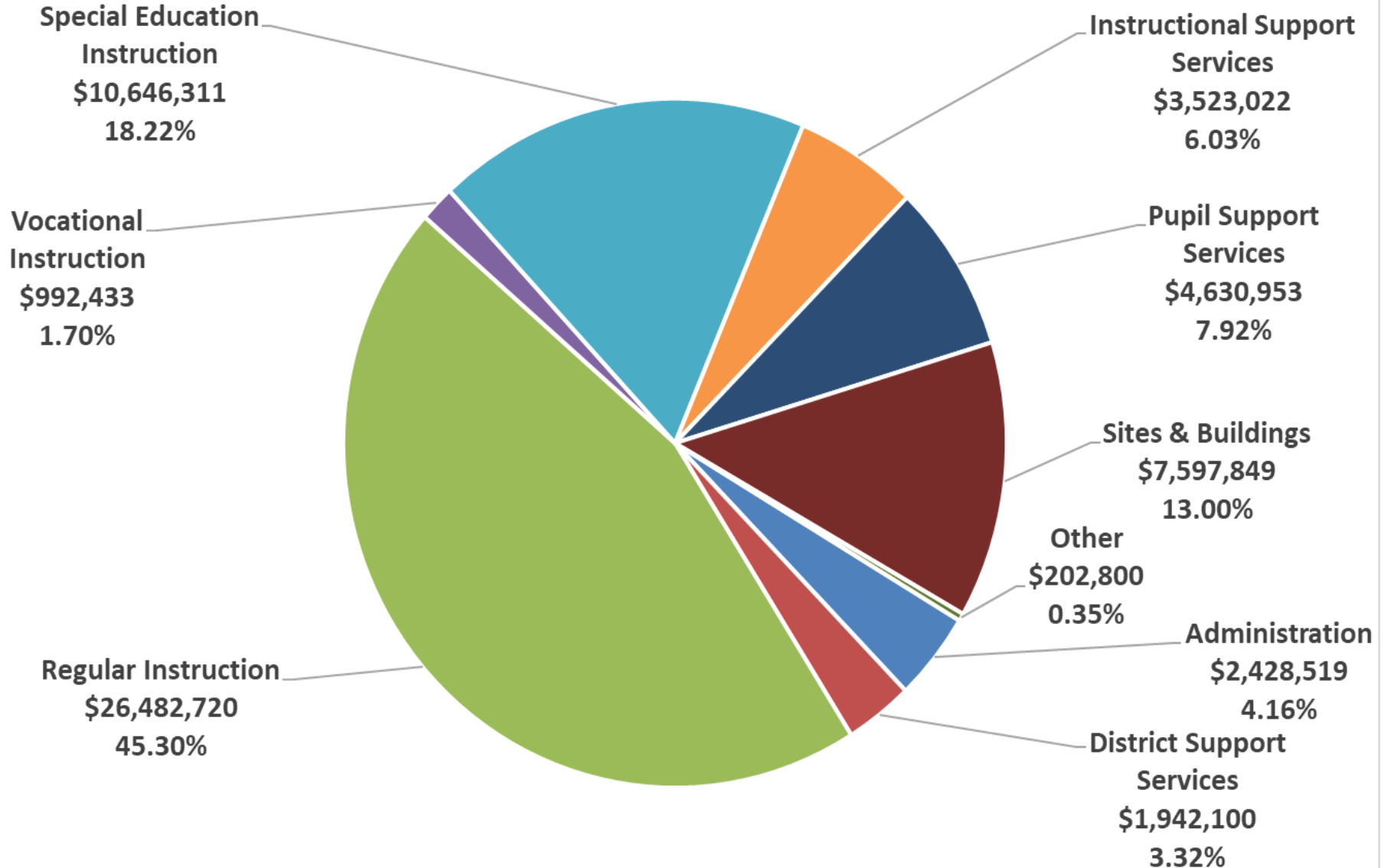
**Willmar Public Schools
Expenditures
2019-20 Budget \$74,182,100**



**Willmar Public Schools
General Fund Expenditures by Object
2019-20 Budget \$58,446,707**



Willmar Public Schools
General Fund Expenditures by Program
2019-20 Budget \$58,446,707



Property Tax Background

- Every owner of taxable property pays property taxes for the various “taxing jurisdictions” (county, city or township, school district, special districts) in which the property is located
- Each taxing jurisdiction sets its own tax levy, often based on limits in state law
- County sends out bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

School District Property Taxes

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

Property Tax Background

School District Property Taxes

- Key steps in the process are summarized on the next slide
- Any of these steps may affect the taxes on a parcel of property, but the district has control over only 1 of the 7 steps

Minnesota School District Property Taxes - Key Steps in the Process

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 1 and tax capacity formulas from step 2), as well as the total tax capacity for each school district.



Step 7. The **County Auditor** divides the final levy (determined by the school board in step 6) by the district's total tax capacity (determined in step 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.*

Step 4. 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 5. The **Minnesota Department of Education** calculates detailed levy limits for each school district, based on the formulas approved by the Legislature in step 4. These limits tell districts the exact amounts that can be levied in every category.



Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. 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 in 2020

Schedule of events in approval of district's 2019 (Payable 2020) tax levy

- Mid-September: MN Department of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- September 23: School board approved proposed levy amounts
- Mid-November: County mailed "Proposed Property Tax Statements" to all property owners
- November 25: Public hearing on proposed levy at special board meeting
- November 25: Following hearing, school board will certify final levy amounts

Overview of Proposed and Recommended Levy Payable in 2020

- The total 2020 maximum **proposed** property tax levy will increase from 2019 by 0.62% or \$50,690.
- The 2020 **recommended** property tax levy will decrease from 2019 by 0.28% or \$22,595 due to underlevying for joint lease costs charged by the SW/WC Cooperative that will be covered by a different funding source.

Willmar Public Schools

Comparison of Proposed Tax Levy Payable in 2020 to Actual Levy Payable in 2019

Funding Levy Category	Actual Levy - FY 20 Payable in 2019	Proposed Levy - FY 21 Payable in 2020	FY 21 \$ Change	FY 21 % Change	Recommended Levy - FY 21 Payable in 2020	FY 21 \$ Change	FY 21 % Change
General Fund							
Voter Approved Referendum	\$314,277	\$112,119	(\$202,158)		\$112,119	(\$202,158)	
Board Approved Referendum	287,749	0	(287,749)		0	(287,749)	
Local Optional Revenue	1,194,369	1,700,353	505,984		1,700,353	505,984	
Equity	459,015	463,793	4,778		463,793	4,778	
Operating Capital	241,606	237,791	(3,815)		237,791	(3,815)	
Achievement and Integration	284,033	304,030	19,997		304,030	19,997	
Long Term Facilities Maintenance	847,236	842,595	(4,641)		842,595	(4,641)	
Other	467,555	591,647	124,092		518,362	50,807	
Adjustments for Prior Years	(82,519)	(28,510)	54,008		(28,510)	54,008	
Total General Fund	\$4,013,323	\$4,223,819	\$210,496	5.24%	\$4,150,534	\$137,211	3.42%
Community Service Fund							
Basic Community Education	\$189,355	\$194,067	\$4,713		\$194,067	\$4,713	
Early Childhood Family Education	71,935	69,962	(1,974)		69,962	(1,974)	
School-Age Child Care	135,225	112,777	(22,448)		112,777	(22,448)	
Other	1,837	1,856	19		1,856	19	
Adjustments for Prior Years	(15,565)	19,187	34,752		19,187	34,752	
Total Community Service Fund	\$382,787	\$397,848	\$15,062	3.93%	\$397,848	\$15,062	3.93%
Debt Service Fund							
Voter Approved Debt Service	\$3,791,120	\$3,794,270	\$3,150		\$3,794,270	\$3,150	
Abatement Adjustments	4,825	(1,294)	(6,119)		(1,294)	(6,119)	
Reduction for Excess Fund Balance	0	(171,899)	(171,899)		(171,899)	(171,899)	
Total Debt Service Fund	\$3,795,945	\$3,621,078	(\$174,868)	-4.61%	\$3,621,078	(\$174,868)	-4.61%
Total Levy, All Funds	\$8,192,055	\$8,242,744	\$50,690	0.62%	\$8,169,459	(\$22,595)	-0.28%

Explanation of Levy Changes

- Category: Voter Approved Referendum, Board Approved Referendum, Local Optional Revenue
- Net Change: \$16,077
- Reason for increase:
 - Shifting between categories.
 - Voter Approved Referendum consists only of \$45.10/Adjusted Pupil Unit (APU) passed by voters in November 2018.
 - Board Approved Referendum was shifted into Local Optional revenue as part of the \$300 increase per APU to Local Optional revenue.

Explanation of Levy Changes

- Category: Other
- Change from Proposed: \$124,092
- Change from Recommended: \$50,807
- Reason for increase:
 - The lease levy is made up of joint and non-joint leases. This year, the SW/WC Service Cooperative added passed through lease costs to member district's lease levies. Willmar is choosing to use other funding sources to cover the portion of the lease costs instead of passing the expense on to the taxpayers through the lease levy. The recommendation is to underlevy or reduce the levy by \$73,285.
 - Most of the increase relates to an increase in Career and Technical revenue. This revenue is driven by the number of the teachers in the District with licenses that qualify to generate this revenue based on the classes they are teaching.

Explanation of Levy Changes

- Category: Adjustments for Prior Years
- Change: \$54,008
- Reason for increase:
 - The estimate of the cost of Middle School sprinkling project was higher than the actual cost causing a large negative adjustment in Pay 2019.
 - The net adjustment was still an overall decrease to the levy.

Explanation of Levy Changes

- Category: Community Service Fund
- Change: \$15,062
- Reason for increase:
 - School-age child care is estimated and adjusted based on budgeted and actual numbers.

Explanation of Levy Changes

- Category: Debt Service Fund
- Change: -\$174,868
- Reason for decrease:
 - The District is required to levy 105% of the scheduled debt service payment so that there is enough funds available to make the bond payment even if some people are delinquent in making their tax payments.
 - Excess funds have accumulated so the levy is being reduced this year as the excess funds will be used to make the bond payment thus lower the tax burden for this year.

Other Factors Causing Changes

- Many other factors can cause the tax bill for an individual property to increase or decrease from year to year:
 - Changes in value of the individual property
 - Changes in the 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

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 web site at www.taxes.state.mn.us

Next Steps

- Board will accept public comments and questions on proposed levy
- Board action to certify the 2020 school tax levy

Public Comments and Questions

**Recommendation: Certify the 2019 Payable
2020 levy in the amount of \$8,169,459.46 by
underlevying \$73,285 related to the joint
lease.**