

Willmar Public Schools, ISD #347
Public Hearing for Taxes Payable in 2019





WELCOME

December 10, 2018

Presented by:

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Director of Business and Finance



Tax Hearing Presentation

Public Meeting

- Must be held after November 24th and no later than December 28th at 6:00 PM or later
- May be part of regularly scheduled meeting and may adopt final levy at this meeting



Tax Hearing Presentation

State law requires that we present:

- Information on the current year budget and actual revenue and expenses for the prior year
- Information on the proposed property tax levy
- The percentage change over the prior year
- Specific purposes and reasons for which taxes are being increased or decreased
- And offer the public an opportunity to comment and ask questions



Agenda for Hearing

- A.** Background on School Funding, Property Tax Levies, and Budgets
- B.** Information on District Budget
- C.** Information on the District's Proposed Tax Levy for Taxes Payable in 2019
- D.** Public Comments and Questions

Public Schools Established by Minnesota Constitution

- “ARTICLE XIII
MISCELLANEOUS SUBJECTS
- Section 1. **UNIFORM SYSTEM OF PUBLIC SCHOOLS.** The stability of a republican form of government depending mainly upon the intelligence of the people, *it is the duty of the legislature to establish a general and uniform system of public schools.* The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”



As a result...

School funding is highly regulated by the state

- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil
- **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 levy up to \$724 per pupil unit (\$300 board approved and \$424 in local optional revenue)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

Change in Tax Levy Does not Determine Change in Budget

- Tax levy is based on many state-determined formulas plus voter approved referendums
- Some increases in tax levies are revenue neutral, offset by reductions in state aid
- Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance
- An increase or decrease in school taxes does not always correlate to an equal increase or decrease in the budget

Contrast of City/County to School District Levy Cycle

- City/County - Budget Year is same as calendar year. The 2019 taxes provide revenue for the calendar year 2019 budget.
- Schools - Budget year begins July 1st and coincides with school year. The 2019 taxes provide revenue for the 2019-2020 school fiscal year. Budget will be adopted in June 2019.



Budget Information

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

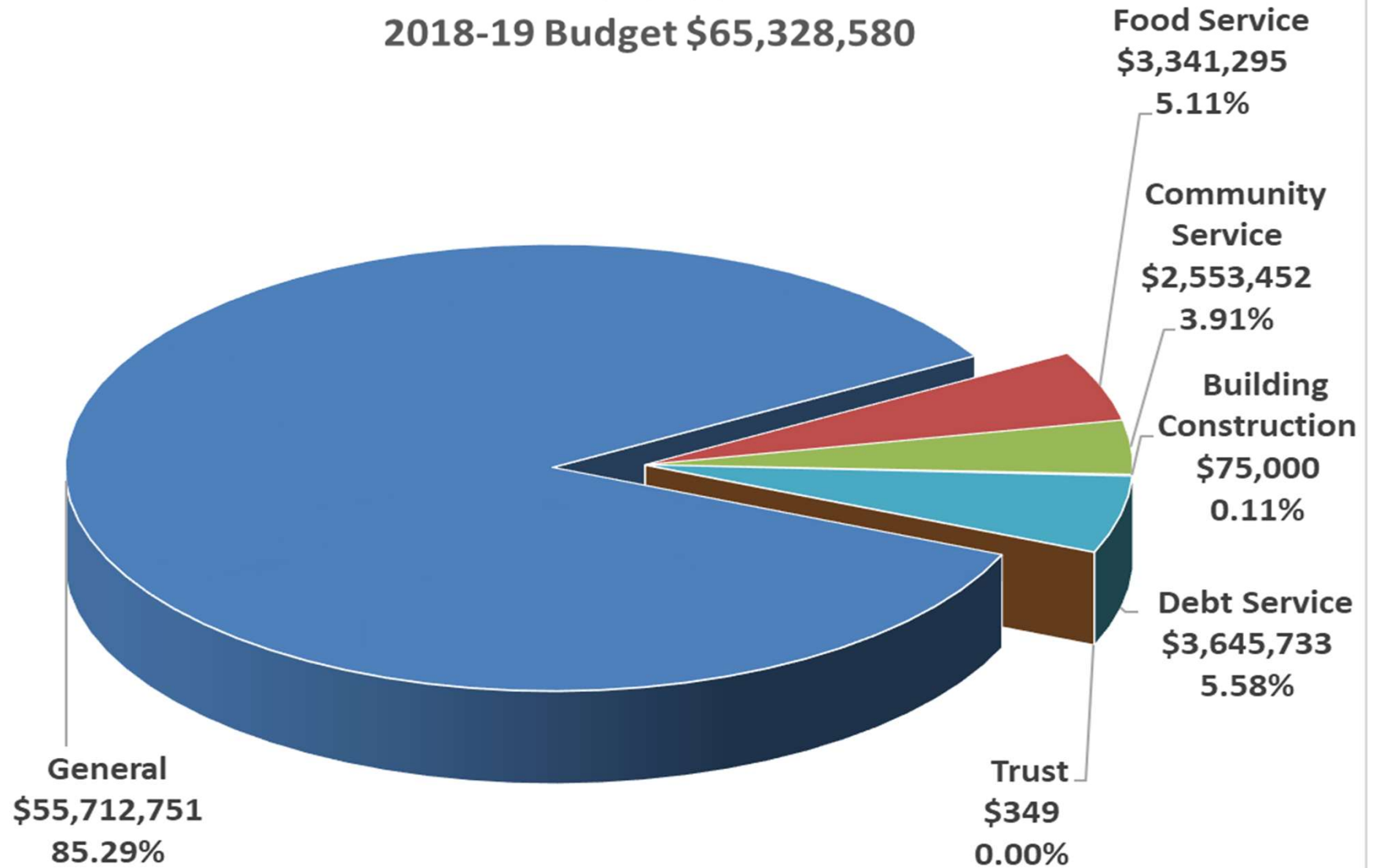
Budget Information

- 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
 - Internal Service
 - Agency – Integration Collaborative

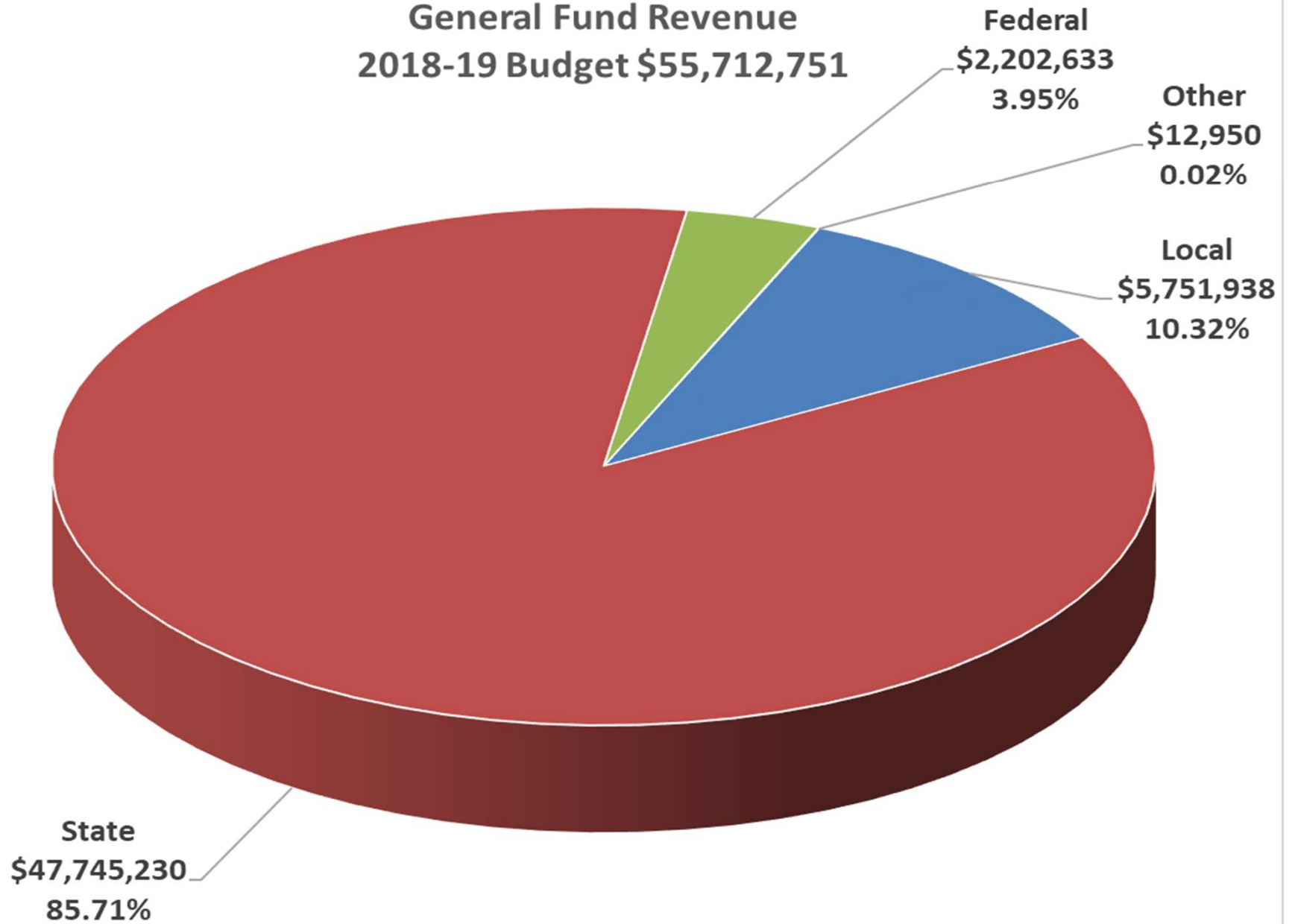
Willmar Public Schools
District Revenues and Expenditures
Actual for FY 18, Budget for FY 19

FUND	FY 2018 BEGINNING FUND BALANCES	FY 2018 ACTUAL REVENUES AND TRANSFERS IN	FY 2018 ACTUAL EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2018 ACTUAL FUND BALANCES	FY 2019 BUDGET REVENUES AND TRANSFERS IN	FY 2019 BUDGET EXPENDITURES AND TRANSFERS OUT	JUNE 30, 2019 PROJECTED FUND BALANCES
General/Restricted	\$997,000	\$14,578,587	\$13,325,924	\$2,249,663	\$14,779,620	\$15,132,662	\$1,896,621
General/Other	12,478,350	41,173,980	39,320,772	\$14,331,558	40,933,131	41,074,194	14,190,495
Food Service	1,371,169	3,283,452	3,545,364	1,109,256	3,341,295	3,649,005	801,546
Community Service	1,068,232	3,037,515	3,204,209	\$901,538	2,553,452	2,850,384	604,606
Building Construction	26,492,201	232,608	16,706,099	\$10,018,711	75,000	10,093,711	-
Debt Service	183,040	3,643,262	3,464,690	\$361,612	3,645,733	3,462,190	545,155
Trust	32,782	305	750	\$32,337	349	750	31,936
Internal Service	99,053	n/a	n/a	90,032	n/a	n/a	77,518
Total - All Funds	\$42,721,828	\$65,949,708	\$79,567,807	\$29,094,708	\$65,328,580	\$76,262,896	\$18,147,877

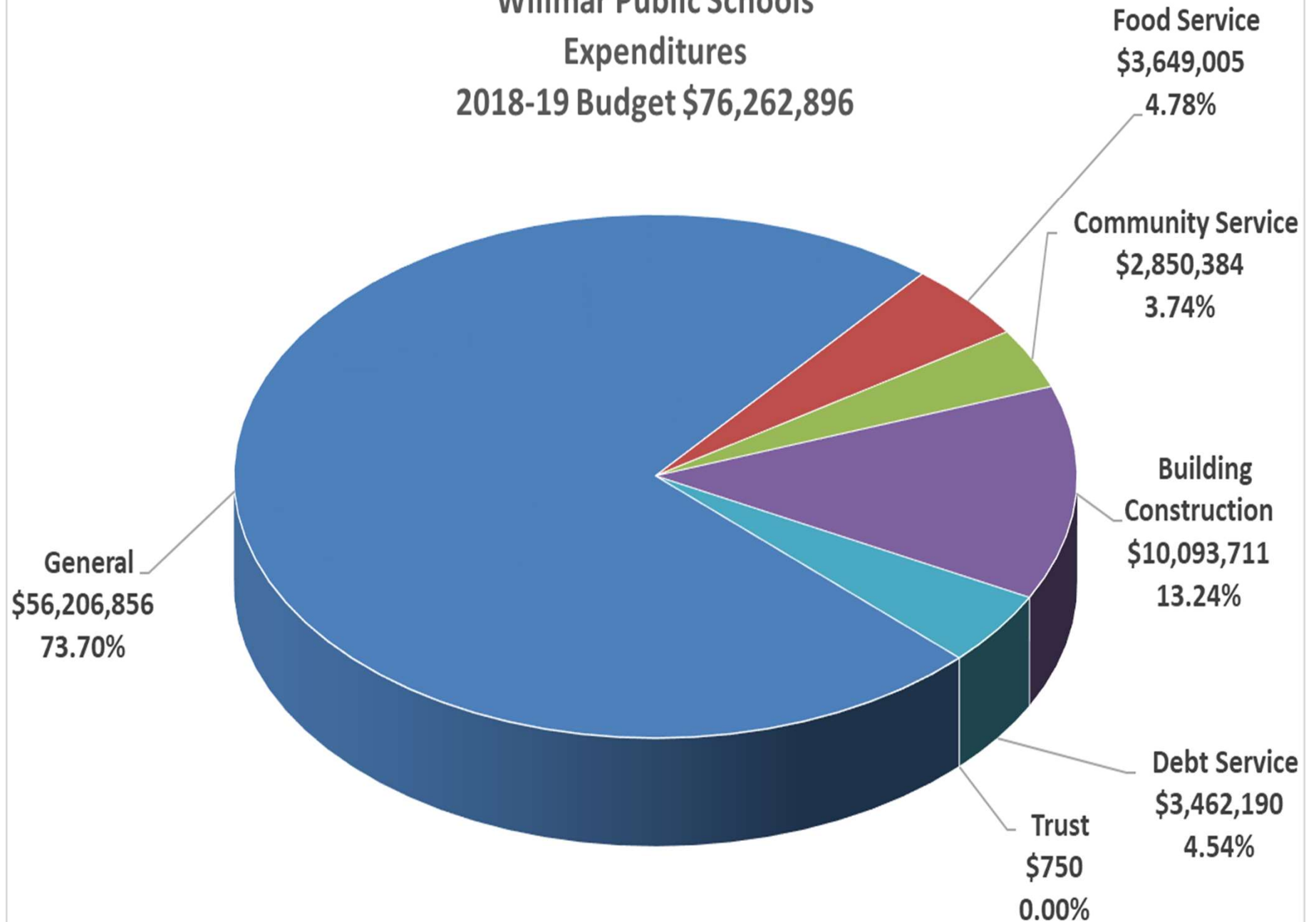
**Willmar Public Schools
Revenue
2018-19 Budget \$65,328,580**



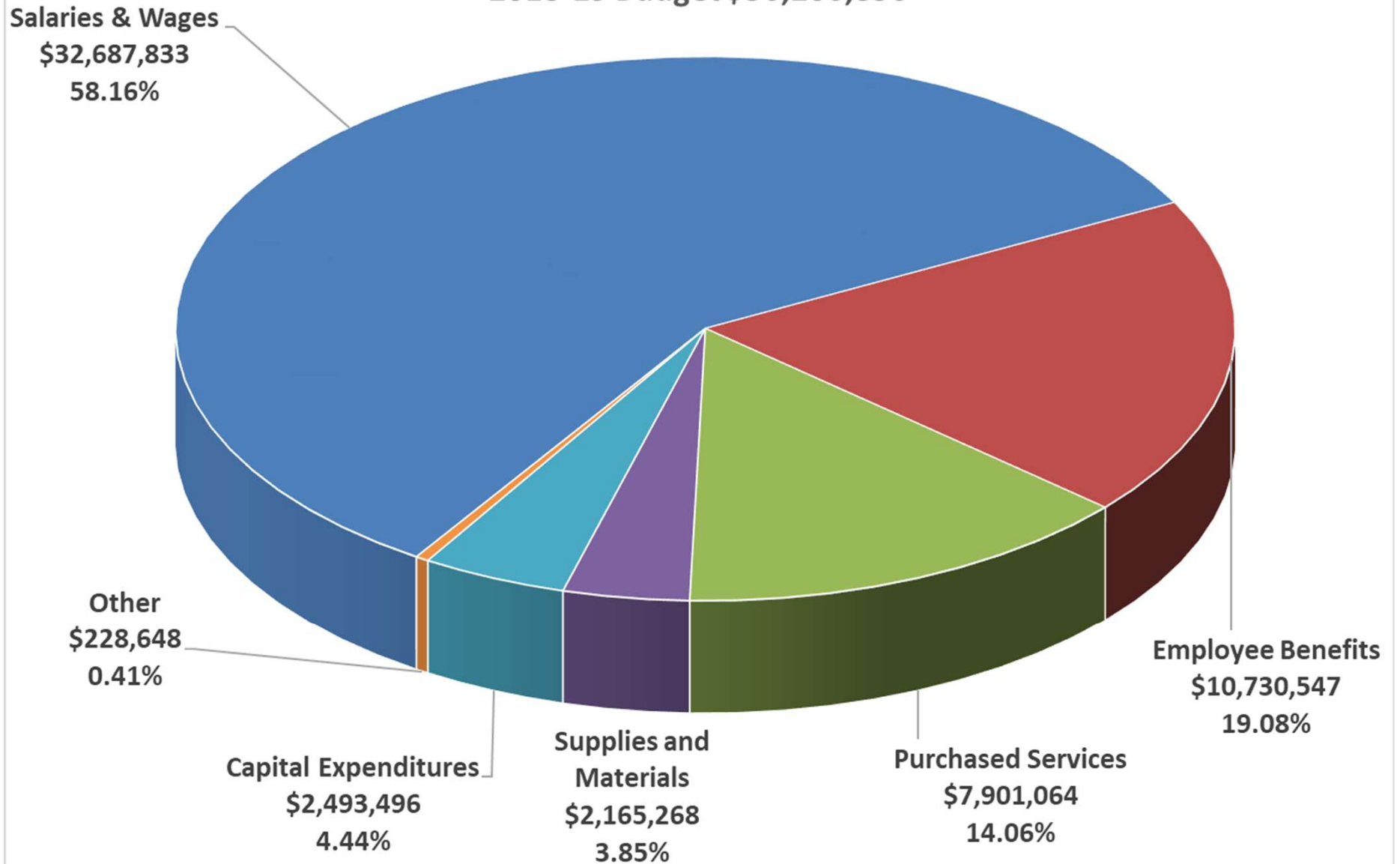
**Willmar Public Schools
General Fund Revenue
2018-19 Budget \$55,712,751**



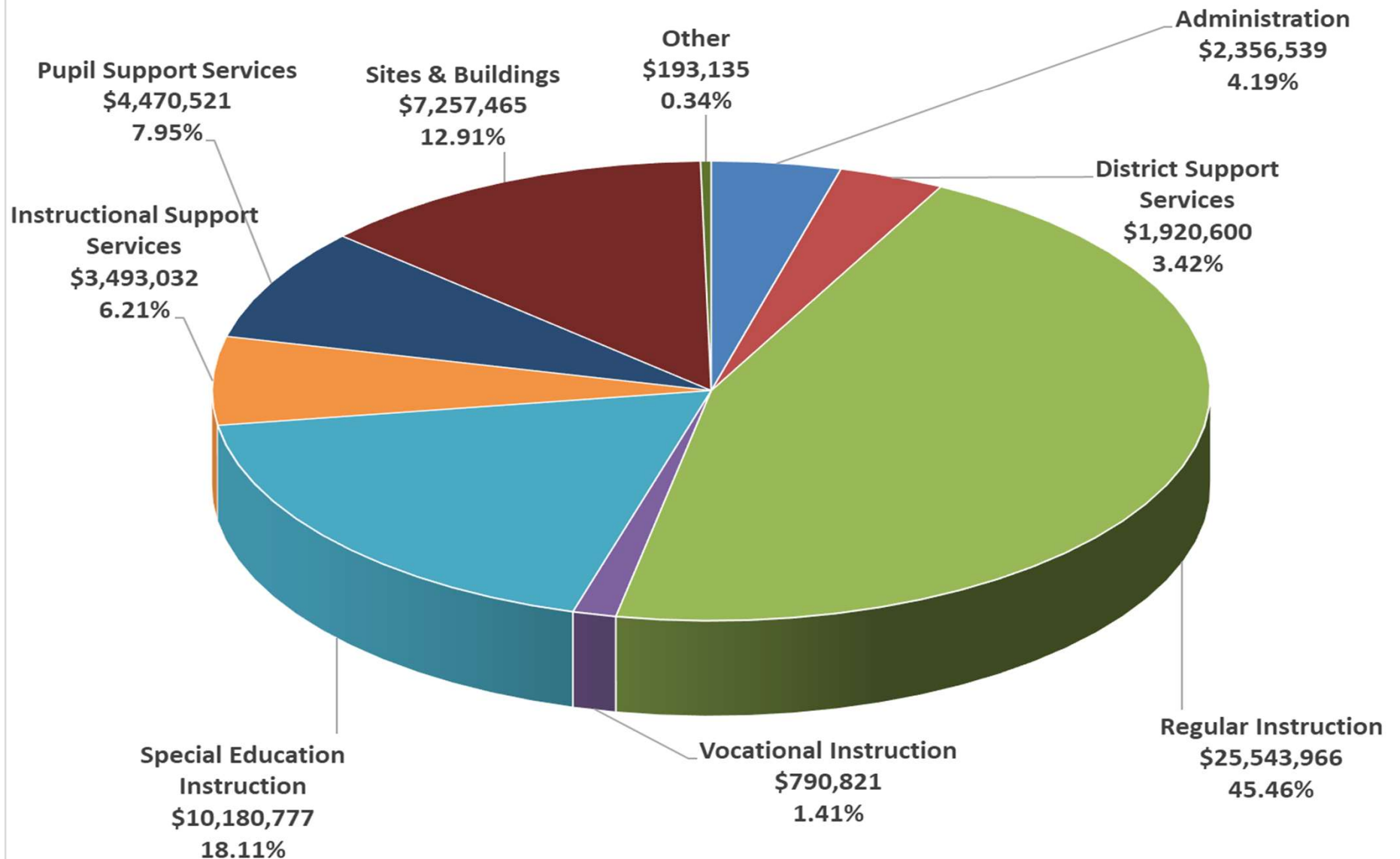
**Willmar Public Schools
Expenditures
2018-19 Budget \$76,262,896**



**Willmar Public Schools
General Fund Expenditures by Object
2018-19 Budget \$56,206,856**



Willmar Public Schools
General Fund Expenditures by Program
2018-19 Budget \$56,206,856





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 2019

Schedule of events in approval of district's 2018 (Payable 2019) tax levy

- Mid-September: MN Department of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
- September 24: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- December 10: Public hearing on proposed levy at regular meeting
- December 10: Following hearing, school board will certify final levy amounts



Overview of Proposed Levy Payable in 2019

- The total 2019 proposed property tax levy will increase from 2018, by 1.02% or \$83,010
- Law requires that we explain the reasons for the major changes in the levy

Willmar Public Schools

Comparison of Proposed Tax Levy Payable in 2019 to Actual Levy Payable in 2018

Funding Levy Category	Actual Levy - FY 19	Proposed Levy - FY 20	FY 20	FY 20
	Payable in 2018	Payable in 2019	\$ Change	% Change
General Fund				
Voter Approved Referendum	\$641,207	\$314,277	(\$326,931)	
Board Approved Referendum	0	287,749	287,749	
Local Optional Revenue	1,194,918	1,194,369	(549)	
Equity	428,854	459,015	30,161	
Operating Capital	229,628	241,606	11,978	
Achievement and Integration	281,150	284,033	2,883	
Long Term Facilities Maintenance	907,779	847,236	(60,543)	
Other	446,291	467,555	21,265	
Adjustments for Prior Years	(26,368)	(82,519)	(56,150)	
Total General Fund	\$4,103,458	\$4,013,323	(\$90,135)	-2.20%
Community Service Fund				
Basic Community Education	\$189,355	\$189,355	\$0	
Early Childhood Family Education	75,829	71,935	(3,894)	
School-Age Child Care	114,192	135,225	21,033	
Other	1,786	1,837	51	
Adjustments for Prior Years	(7,072)	(15,565)	(8,493)	
Total Community Service Fund	\$374,090	\$382,787	\$8,697	2.32%
Debt Service Fund				
Voter Approved Debt Service	\$3,631,730	\$3,791,120	\$159,390	
Abatement Adjustments	(233)	4,825	5,058	
Reduction for Excess Fund Balance	0	0	0	
Total Debt Service Fund	\$3,631,497	\$3,795,945	\$164,448	4.53%
Total Levy, All Funds	\$8,109,045	\$8,192,055	\$83,010	1.02%

Explanation of Levy Changes

- Category: Voter Approved Referendum, Board Approved Referendum, Local Optional Revenue, Equity Revenue
- Net Change: -\$9,021
- Reason for decrease:
 - THANK YOU to voters for approving the renewal of the expiring operating levy.
 - These funding sources work together and impact each other.
 - The decrease is mainly due to the amount of revenue split between aid and levy.

Explanation of Levy Changes

- Category: Long Term Facilities Maintenance
- Change: -\$60,543
- Reason for decrease:
 - More of the total revenue was covered by aid versus levy.
 - Pay 18 levy ratio was 51.6%
 - Pay 19 levy ratio is 48.6%

Explanation of Levy Changes

- Category: Adjustments for Prior Years
- Change: -\$56,150
- Reason for decrease:
 - The estimate of the cost of Middle School sprinkling project was higher than the actual cost.

Explanation of Levy Changes

- Category: Community Service Fund
- Change: \$8,697
- 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: \$164,448
- Reason for increase:
 - The District is required to levy 105% of the scheduled debt service payment.
 - The bond payment schedule was structured with a large payment in year one, slightly lower payments in year two and three and an increase in year 4 then leveling out until the last year of the bond.

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 2019 school tax levy



Public Comments and Questions