



Inver Grove Heights Schools

Public Hearing for Taxes Payable in 2020

DECEMBER 9, 2019

PRESENTED BY:

HEATHER AUNE,

DIRECTOR OF BUSINESS SERVICES

Minnesota State Law Requires:

A Public Meeting...

- Between November 24th & December 30th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting
- Must allow for public comments

...and Presentation of:

- Current year budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % increase
- Specific purposes & reasons taxes are being increased

Hearing Agenda

- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2020
- Public Comments

MN Legislature Must Set Funding for Minnesota Public Schools

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...

Funding is Highly Regulated

State Sets:

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

State also authorizes school board to submit referendums for operating and capital needs to voters for approval

Challenge: State Set Basic General Education Formula Lags Inflation

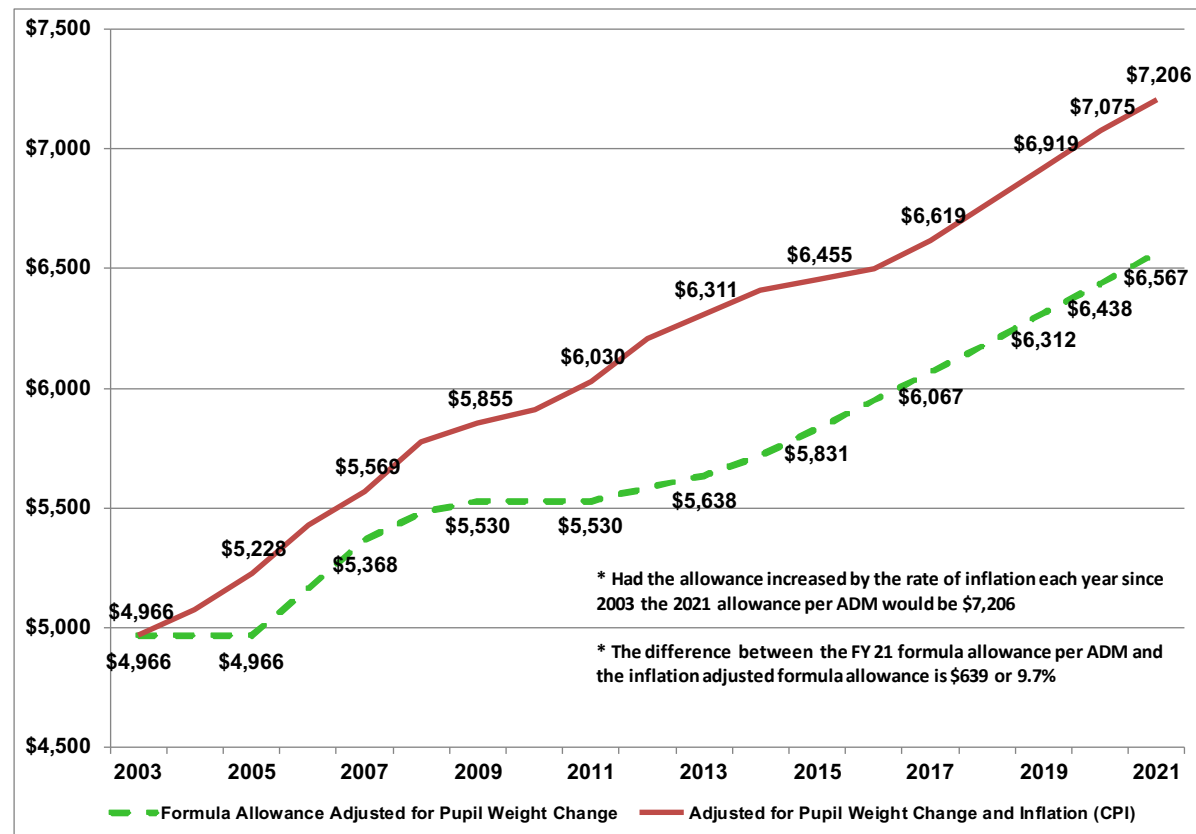
Since 2002-03, state General Education Revenue formula has not kept pace with inflation

For Fiscal Year 2019-20, Legislature approved an increase of 2% or \$126 per year, and for Fiscal Year 2020-21 an increase of 2% or \$129 was approved

Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$639 (9.7%) to have kept pace with inflation since 2002-03

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2021
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE August 2019 Inflation Estimates

Underfunding of Special Education

MDE reports the FY 2018 cost of providing special education programs was underfunded by \$822 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,705 per special education student

Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law

Primary options to bridge special education funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Result: Growing Dependence on Referendum Revenue

In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil

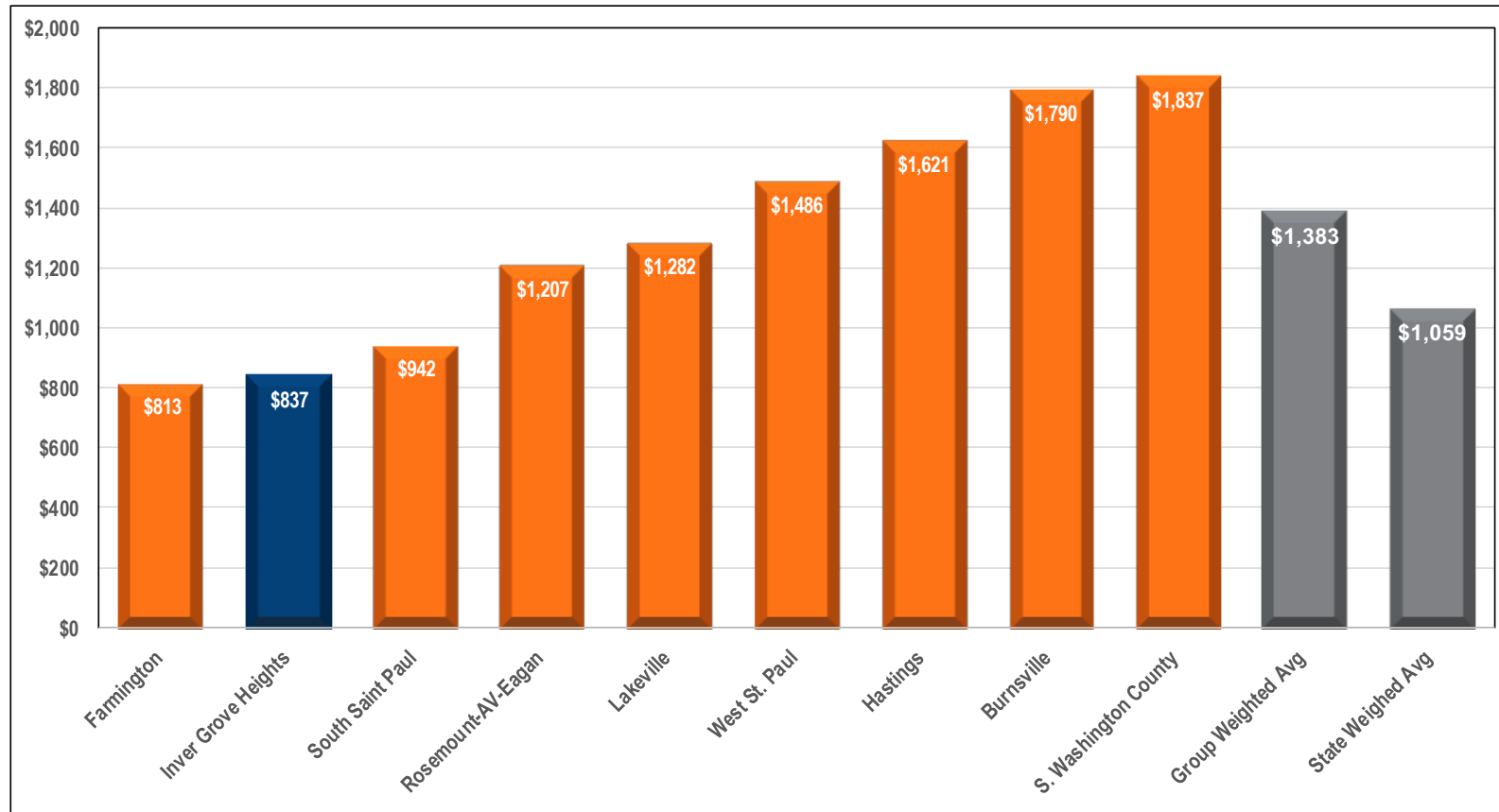
For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,475 per pupil

- Referendum revenue including Local Optional Revenue (LOR) provides 13.2% of General Fund operating revenue
- Of this amount, \$751 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)

Inver Grove Heights School District

Voter/Board Approved Referendum Authority Per Pupil Unit FY 19-20 (Excludes Local Optional Revenue)

Group Average	\$	1,382.73
Inver Grove Heights	\$	837.35
Variance	\$	(545.38)



Source: MDE FY 20 WhatIf (all revenues converted to per pupil unit)

Change in Tax Levy Does not Determine Change in Budget

1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance

4

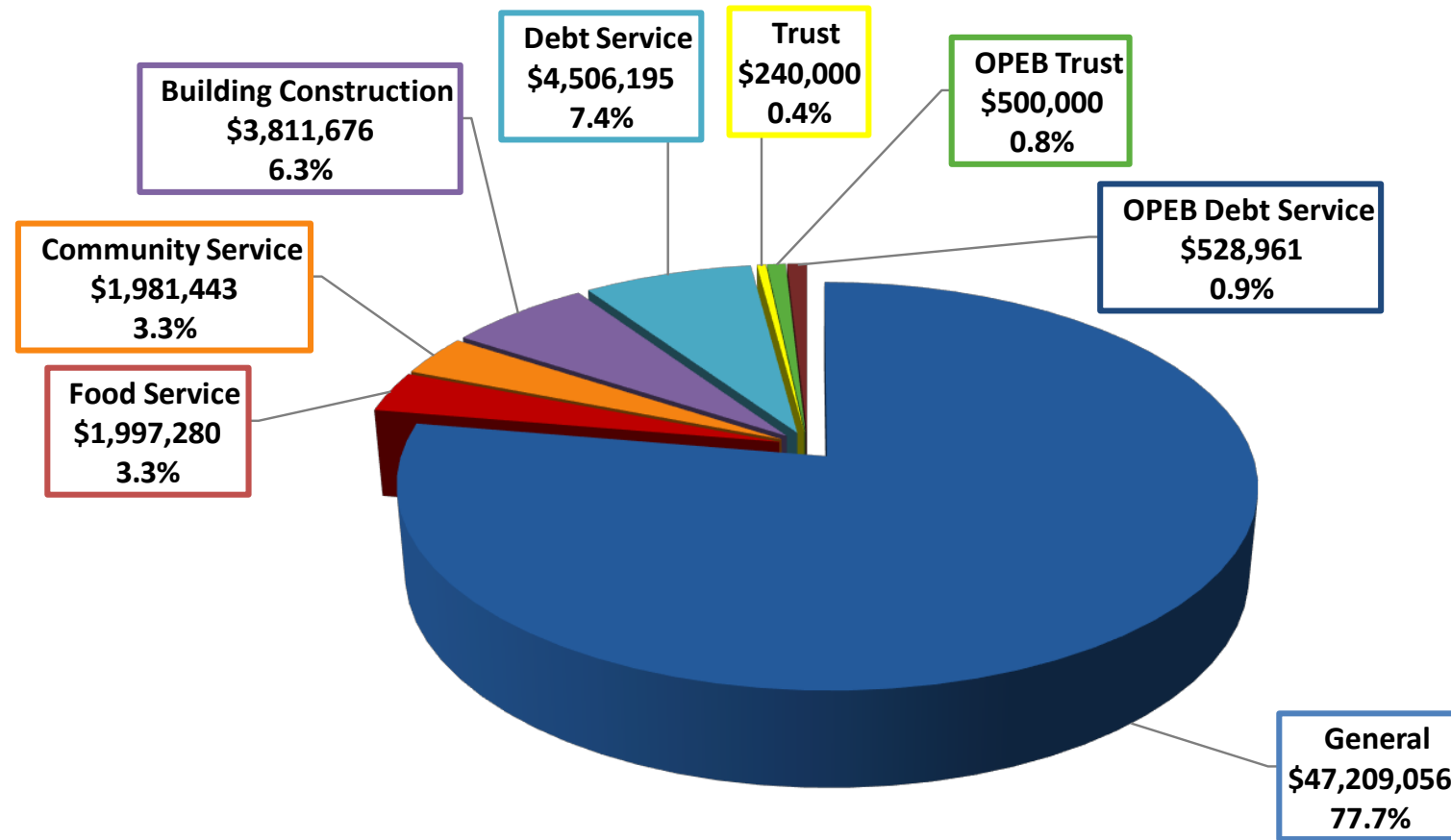
An increase in school taxes does not always correlate to an equal increase in budget

**Inver Grove Heights Schools
District Revenues and Expenditures
Actual for FY 2019, Budget for FY 2020**

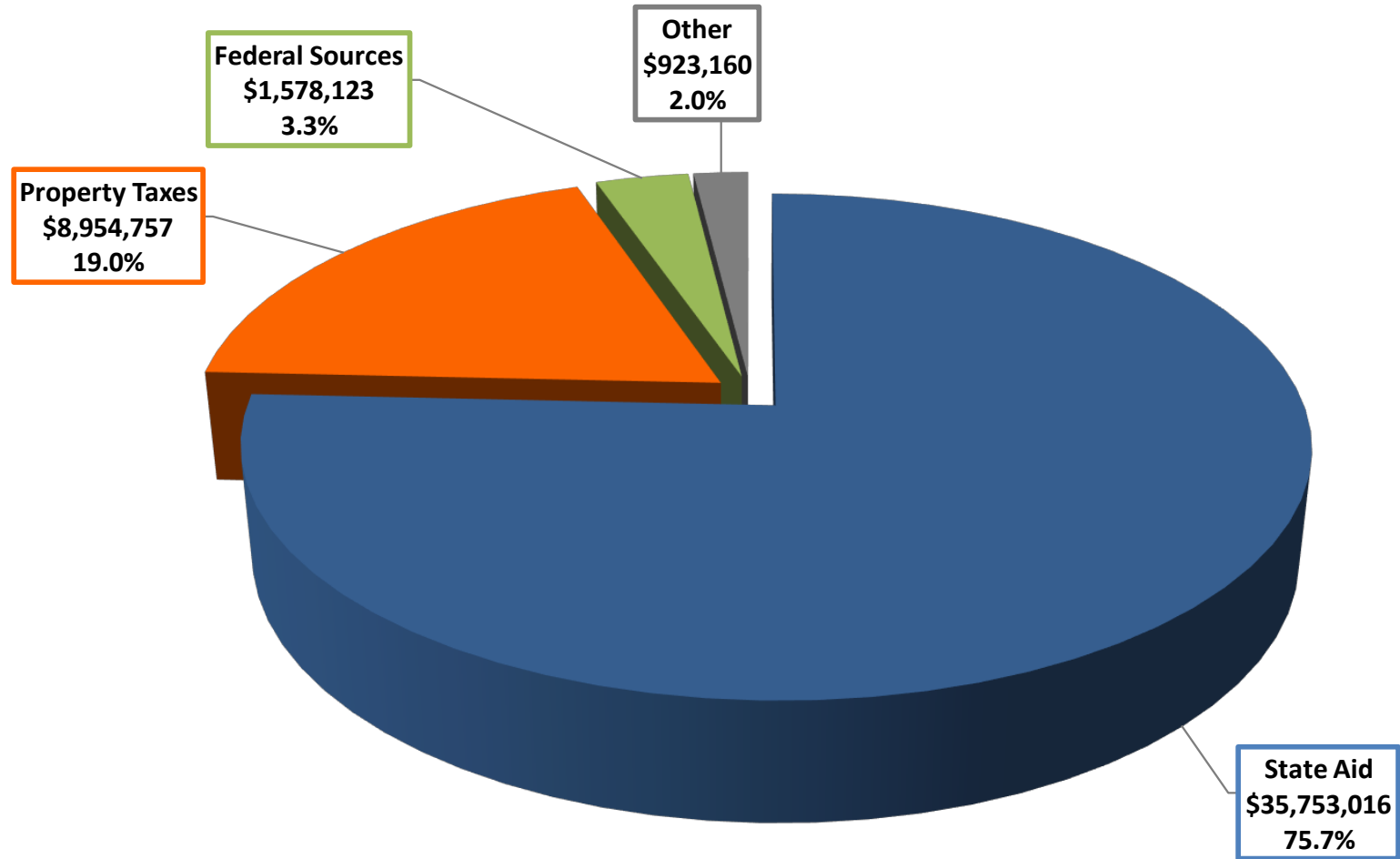
FUND	FISCAL 2019 BEGINNING FUND BALANCES	2018-19 ACTUAL REVENUES AND TRANSFERS IN	2018-19 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2019 ACTUAL FUND BALANCES	2019-20 BUDGET REVENUES AND TRANSFERS IN	2019-20 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2020 PROJECTED FUND BALANCES
General/Restricted	\$2,572,002	\$7,872,998	\$7,695,276	\$2,749,724	\$8,224,857	\$8,788,611	\$2,185,970
General/Other	9,844,836	38,002,232	37,826,401	10,020,667	38,984,199	38,318,554	10,686,312
Food Service	1,281,693	1,962,112	2,213,077	1,030,729	1,997,280	2,165,688	862,321
Community Service	556,102	2,122,338	2,333,217	345,223	1,981,443	2,172,310	154,356
Building Construction	-	-	-	-	3,811,676	3,811,676	-
Debt Service	1,102,699	4,556,790	4,537,798	1,121,691	4,506,195	4,535,908	1,091,978
Trust	3,543	178,898	143,030	39,411	240,000	240,000	39,411
Internal Service	816,715			-			-
OPEB* Revocable Trust	3,708,957	547,135	698,964	3,557,128	500,000	627,234	3,429,894
OPEB* Debt Service	180,049	522,979	543,990	159,038	528,961	540,115	147,884
Total All Funds	\$20,066,595	\$55,765,484	\$55,991,753	\$19,023,611	\$60,774,611	\$61,200,096	\$18,598,126

*Other Post Employment Benefits

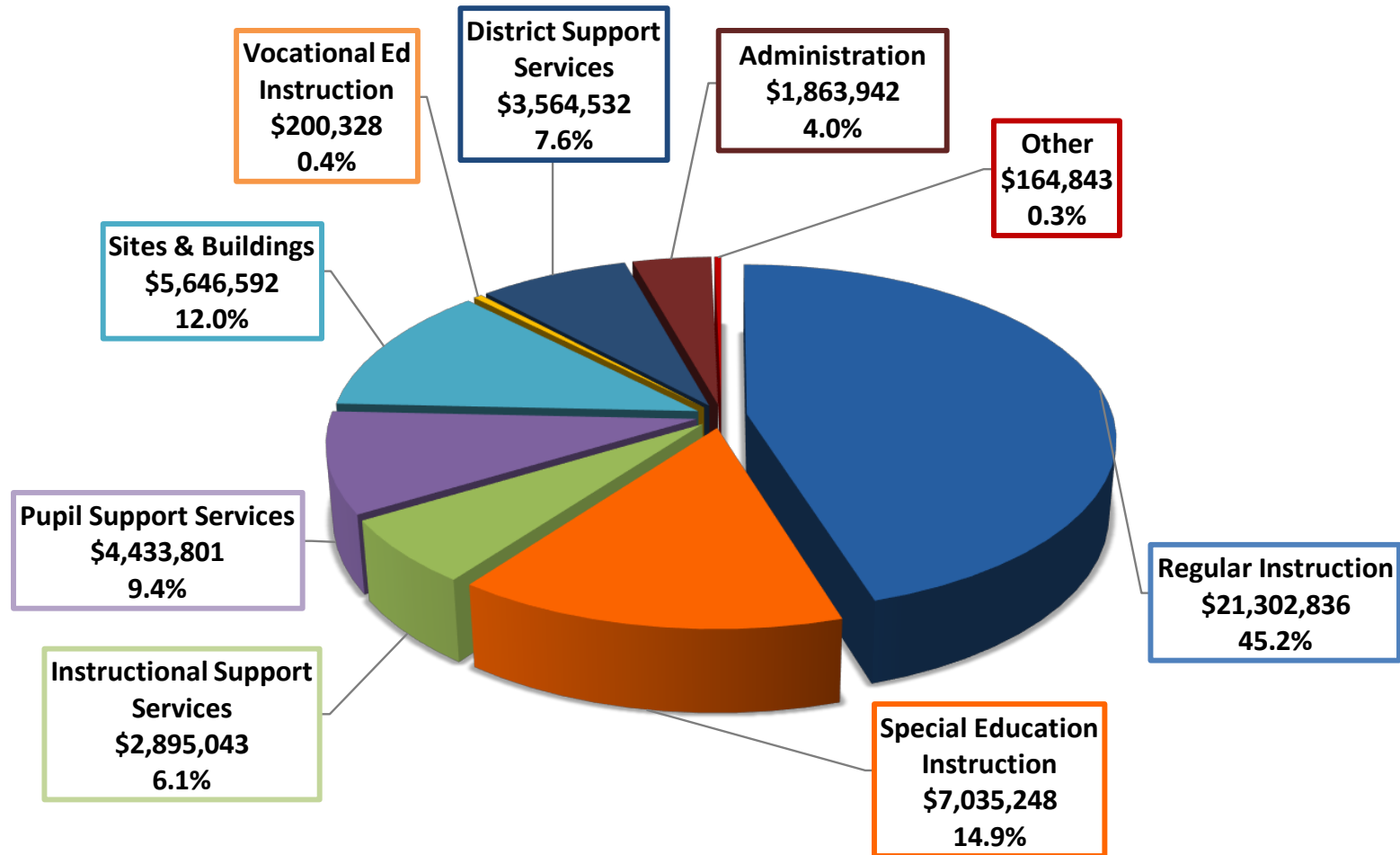
Inver Grove Heights Schools
Revenue - All Funds
2019-20 Budget \$60,774,611



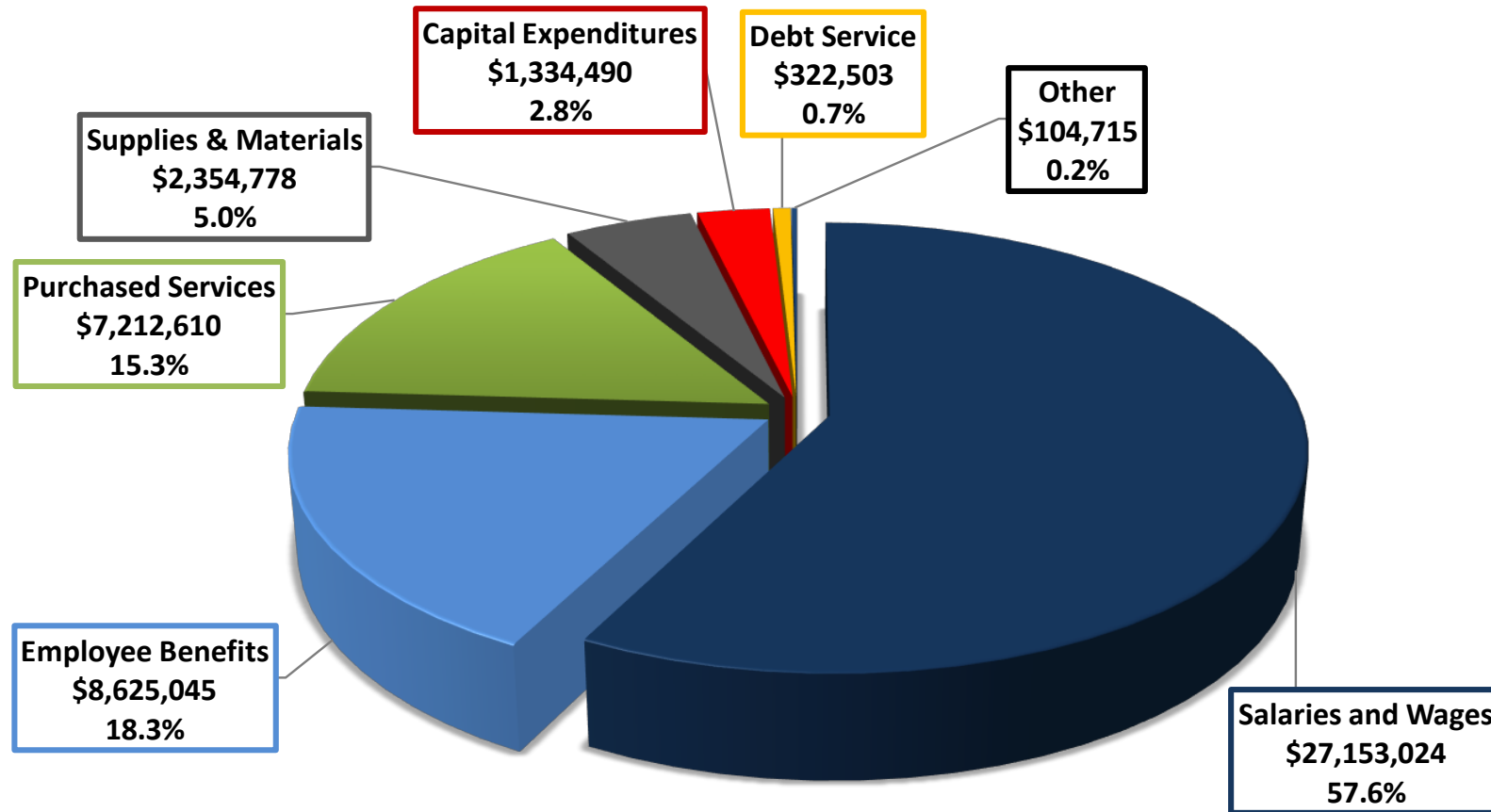
**Inver Grove Heights Schools
General Fund Revenue
2019-20 Budget \$47,209,056**



**Inver Grove Heights Schools
General Fund Expenditures by Program
2019-20 Budget \$47,107,165**



Inver Grove Heights Schools
General Fund Expenditure by Object
2019-20 Budget \$47,107,165



Payable 2020 Property Tax Levy

- Determination of levy
- Comparison of 2019 to 2020 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

Property Tax Background

Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located

Each taxing jurisdiction sets own tax levy, often based on limits in state law

County sends bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

Parcel Specific Notice:

This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the Proposed 2020 levy on their property.

Contents:

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting

Property ID: 55-55555-55-555

TAXPAYER(S):

ISD 199 RESIDENT
000 BABCOCK STREET

INVER GROVE MN 55076



Property Address: ISD 199 RESIDENT
000 BABCOCK STREET

Property Description: PARK 199



01031466

PROPOSED TAXES 2020

— This is Not a Bill • Do Not Pay —

Step 1

VALUES AND CLASSIFICATION

Taxes Payable Year	2019	2020
Estimated Market Value:	233,300	242,800
Homestead Exclusion:	16,243	15,388
Other Excl./Deferrals:	0	0
Taxable Market Value:	217,057	227,412
Property Classification:	RESO HSTD	RESO HSTD

Step 2

PROPOSED TAX

Property Taxes Before Credits:	\$ 2,618.00
School Building Bond Credit:	
Agricultural Market Value Credit:	
Other Credits:	
Property Taxes After Credits:	\$ 2,618.00

Step 3

PROPERTY TAX STATEMENT

• Coming in 2020 •

The time to provide feedback on PROPOSED LEVIES is **NOW**.

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2019	Proposed 2020
STATE GENERAL TAX	NO PUBLIC MEETING	\$.00	\$.00
		551.14	548.90
DAKOTA COUNTY DAKOTA COUNTY ADMINISTRATION 1590 HIGHWAY 55 HASTINGS MN 55033 WWW.DAKOTACOUNTY.US 651-438-4576	NOV 26 2019-6:00 PM ADMINISTRATION CENTER COUNTY BOARDROOM 1590 HIGHWAY 55 HASTINGS MN 55033		
INVER GROVE HEIGHTS SHANNON BATTLES-INTERIM FINANCE DIRECTOR 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077 SBATTLES@INVERGROVEHEIGHTS.ORG 651-450-2488	DEC 9 2019-7:00 PM CITY HALL COUNCIL CHAMBERS 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077	1,162.30	1,166.32
SCH DIST 199 HEATHER AUNE, DIRECTOR OF BUSINESS 2990 80TH ST E INVER GROVE HEIGHTS MN 55076 AUNEH@ISD199.ORG 651-306-7807	DEC 9 2019-6:00 PM ISD 199 DISTRICT OFFICE 2990 80TH ST E INVER GROVE HEIGHTS MN 55076		
	VOTER APPROVED LEVIES OTHER LOCAL LEVIES	472.26 413.74	383.38 436.96
METRO SPECIAL TAXING DISTRICTS METROPOLITAN COUNCIL 390 ROBERT ST N ST PAUL MN 55101-1805 651-602-1738	DEC 11 2019-6:00 PM METROPOLITAN COUNCIL CHAMBERS 390 ROBERT ST N ST PAUL MN 55101-1805	50.92	49.10
OTHER SPECIAL TAXING DISTRICTS		32.12	33.34
TAX INCREMENT TAX	NO PUBLIC MEETING	.00	.00
FISCAL DISPARITY TAX	NO PUBLIC MEETING	.00	.00
TOTALS (Excluding Special Assessments)		\$ 2,682.48	\$ 2,618.00 -2.4%

See Reverse Side for Important Information

School District Property Taxes

Each school district may levy taxes in over 40 different categories

“Levy limits” (maximum levy amounts) for each category are set by

- State law
- Voter approval

Minnesota Department of Education (MDE) calculates detailed levy limits for each district

Overview of Proposed Levy Payable in 2020

Total 2020 proposed property tax levy is a decrease from 2019 of \$545,687 (3.9%)

Includes decrease of \$45,591 from proposed levy approved by School Board in September of 2019

- District refinanced some of its existing bonds
- Total savings from the refinancing was \$204,307, with an average annual reduction in debt service levies of approximately \$40,000 for taxes payable in 2020 through 2025

State law requires that we explain reasons for major increases in levy

Some decreases in specific levies will also be explained

Inver Grove Heights Schools

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

Fund Levy Category	Actual Levy Payable in 2019	Proposed Levy Payable in 2020	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$3,152,156	\$2,173,206	(\$978,950)	
Local Optional Revenue (LOR)	<u>1,766,214</u>	<u>2,590,380</u>	<u>824,166</u>	
Total Operating Referendum and LOR	4,918,371	4,763,586	(154,784)	
Equity	573,499	540,806	(32,693)	
Capital Project Referendum	703,160	753,358	50,197	
Operating Capital	365,724	335,361	(30,363)	
Achievement and Integration	212,808	204,710	(8,098)	
Long Term Facilities Maintenance (LTFM)	1,519,814	1,336,668	(183,146)	
Instructional Lease	987,003	981,880	(5,123)	
Safe Schools	202,032	190,601	(11,430)	
Other	86,728	86,728	0	
Prior Year Adjustments	(976,850)	(870,281)	106,569	
Total, General Fund	\$8,592,287	\$8,323,416	(\$268,871)	-3.1%
Community Service				
Basic Community Education	\$211,823	\$211,823	\$0	
Early Childhood Family Education	107,957	97,524	(10,434)	
School-Age Child Care	129,725	135,000	5,275	
Other	2,697	2,678	(19)	
Prior Year Adjustments	(1,321)	(47,994)	(46,674)	
Total, Community Service Fund	\$450,881	\$399,029	(\$51,852)	-11.5%
Debt Service				
Voter Approved	\$4,166,177	\$4,176,677	\$10,500	
Long Term Facilities Maintenance (LTFM)	557,006	471,328	(85,678)	
Other Post Employment Benefits (OPEB)	566,071	553,996	(12,075)	
Reduction for Debt Excess	(274,543)	(427,922)	(153,379)	
Prior Year Adjustments	3,080	18,748	15,668	
Total, Debt Service Fund	\$5,017,791	\$4,792,826	(\$224,965)	-4.5%
Total Levy, All Funds	\$14,060,959	\$13,515,272	(\$545,687)	-3.9%
Subtotal by Truth in Taxation Categories:				
Voter Approved	7,489,259	6,375,814	(1,113,445)	
Other	6,571,700	7,139,457	567,757	
Total	\$14,060,959	\$13,515,272	(\$545,687)	-3.9%

Explanation of Levy Changes

Categories: Operating Referendum and Local Optional Revenue (LOR)

Changes: -\$978,950 and +\$824,166 (net change -\$154,784)

Use of Funds: General Operating Expenses

Reason for Changes:

- Legislative change subtracted \$300 per pupil from voter approved operating referendum authority and added it to LOR formula
- Revenues in these categories are based on estimated number of students and enrollment is projected to decrease

Explanation of Levy Changes

Category: General Fund – Long Term Facility Maintenance (LTFM)

Change: -\$183,146

Use of funds: Deferred Facility Maintenance Costs

Reason for increase:

- Revenue is based on estimated number of students and is provided through a combination of property tax levies and state aid
- Enrollment is projected to decrease
- District qualifies for a greater amount of state aid for taxes payable in 2020 as compared to 2019, resulting in a levy decrease

Explanation of Levy Changes

Category: General Fund Adjustments

Change: +\$106,569

Use of Funds: General Operating Expenses

Reason for Change:

- Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
- In later years, estimates are updated and levies are retroactively adjusted
- 2019 levy included larger negative adjustments in a few categories

Explanation of Levy Changes

Category: Debt Service – Reduction for Debt Excess

Change: -\$153,379

Use of Funds: Annual required levy for payments of principal & interest on bonds

Reason for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- Formulas in state law determine adjustments to tax levy for debt excess balances
- Debt Excess levy reduction for 2020 is greater than 2019 resulting in a levy decrease

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors

Impact on Taxpayers

Amounts for 2020 are preliminary estimates, based on best available data – final amounts could change slightly

For commercial-industrial property, examples are for property in Inver Grove Heights; school taxes in other parts of the District may be slightly higher or lower due to variations in impact of Fiscal Disparities Program

Estimates prepared by Ehlers, District's municipal financial advisors

Inver Grove Heights Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 16.2% Cumulative Changes in Property Value from 2017 to 2020 Taxes

Type of Property	Estimated Market Value for 2017 Taxes	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Estimated Taxes Payable in 2020	Change in Taxes 2017 to 2020	Change in Taxes 2019 to 2020
Residential Homestead	\$86,078	\$283	\$91,931	\$326	\$96,711	\$309	\$100,000	\$287	\$4	-\$22
	129,116	478	137,896	538	145,067	513	150,000	472	-6	-41
	172,155	673	183,862	750	193,422	718	200,000	658	-15	-60
	215,194	868	229,827	963	241,778	922	250,000	844	-24	-78
	279,752	1,161	298,775	1,282	314,311	1,228	325,000	1,123	-38	-105
	344,310	1,453	367,723	1,600	386,845	1,534	400,000	1,402	-51	-132
	408,868	1,746	436,671	1,914	459,378	1,829	475,000	1,668	-78	-161
	473,427	2,023	505,620	2,219	531,912	2,139	550,000	1,960	-63	-179
	537,985	2,326	574,568	2,568	604,445	2,476	625,000	2,266	-60	-210
	602,543	2,647	643,516	2,916	676,979	2,813	700,000	2,572	-75	-241
Commercial/ Industrial #	\$86,078	\$347	\$91,931	\$387	\$96,711	\$366	\$100,000	\$337	-\$10	-\$29
	215,194	926	229,827	1,035	241,778	990	250,000	915	-11	-75
	430,388	1,982	459,654	2,195	483,556	2,102	500,000	1,937	-45	-165
	645,582	3,039	689,481	3,356	725,334	3,214	750,000	2,959	-80	-255
	860,775	4,096	919,308	4,516	967,112	4,326	1,000,000	3,981	-115	-345
Apartments and Res. Non-Homestead (2 or more units)	\$215,194	\$1,073	\$229,827	\$1,160	\$241,778	\$1,123	\$250,000	\$1,021	-\$52	-\$102
	1,721,551	8,585	1,838,616	9,283	1,934,225	8,985	2,000,000	8,165	-420	-820
	2,582,326	12,877	2,757,925	13,925	2,901,337	13,478	3,000,000	12,248	-629	-1,230

For commercial-industrial property, amounts above are for property in the City of Inver Grove Heights. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

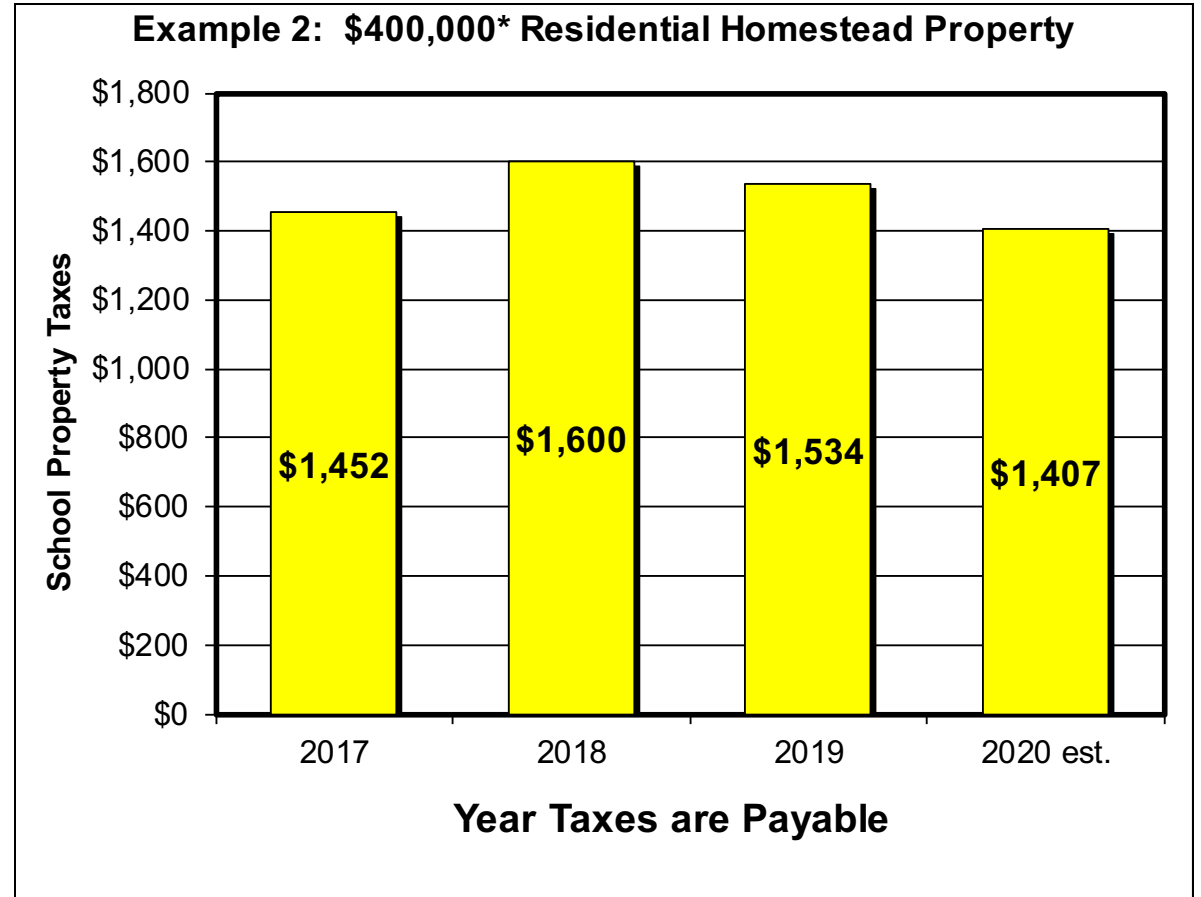
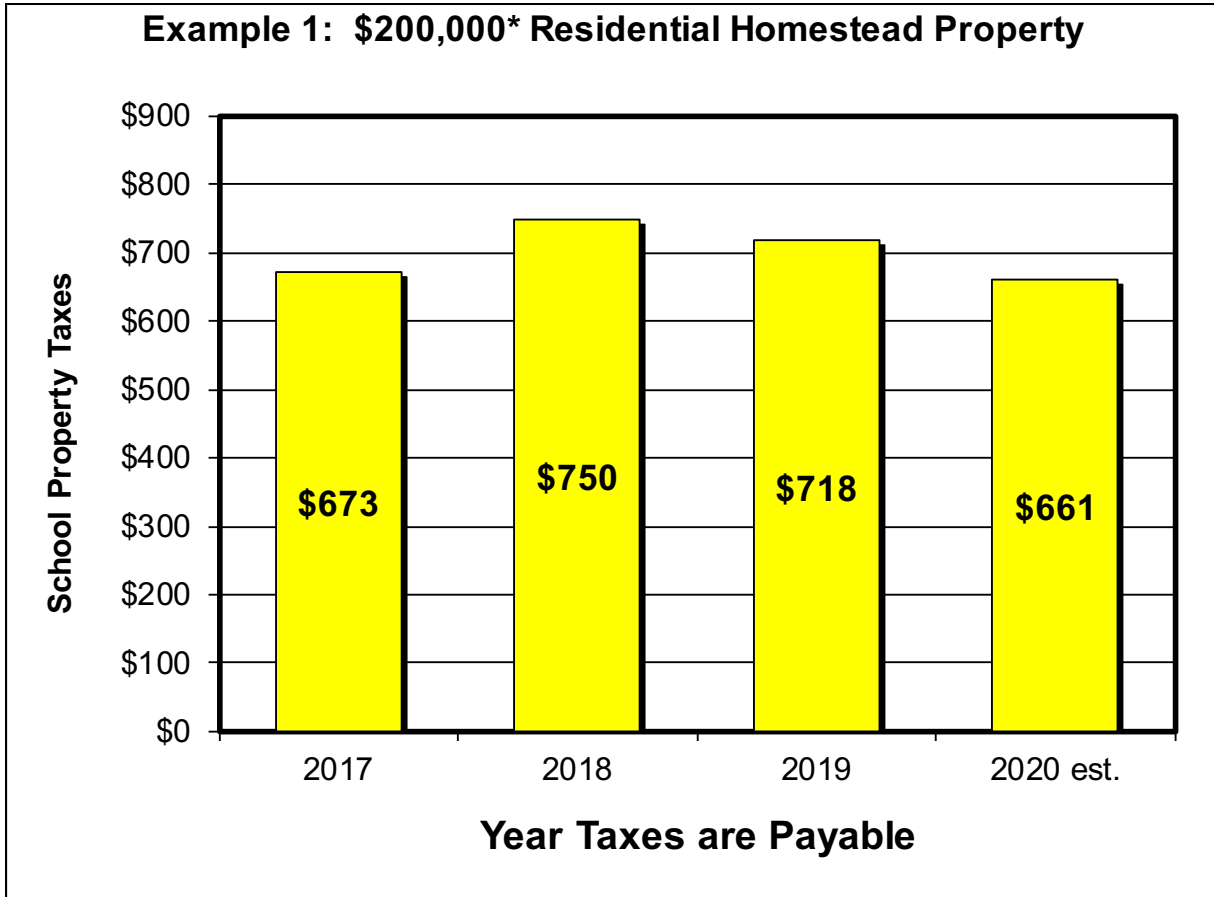
General Notes

1. 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 2020 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 6.8% from 2017 to 2018 taxes, 5.2% from 2018 to 2019, and 3.4% from 2019 to 2020.

Inver Grove Heights Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 16.2% Cumulative Changes in Property Value from 2017 to 2020 Taxes

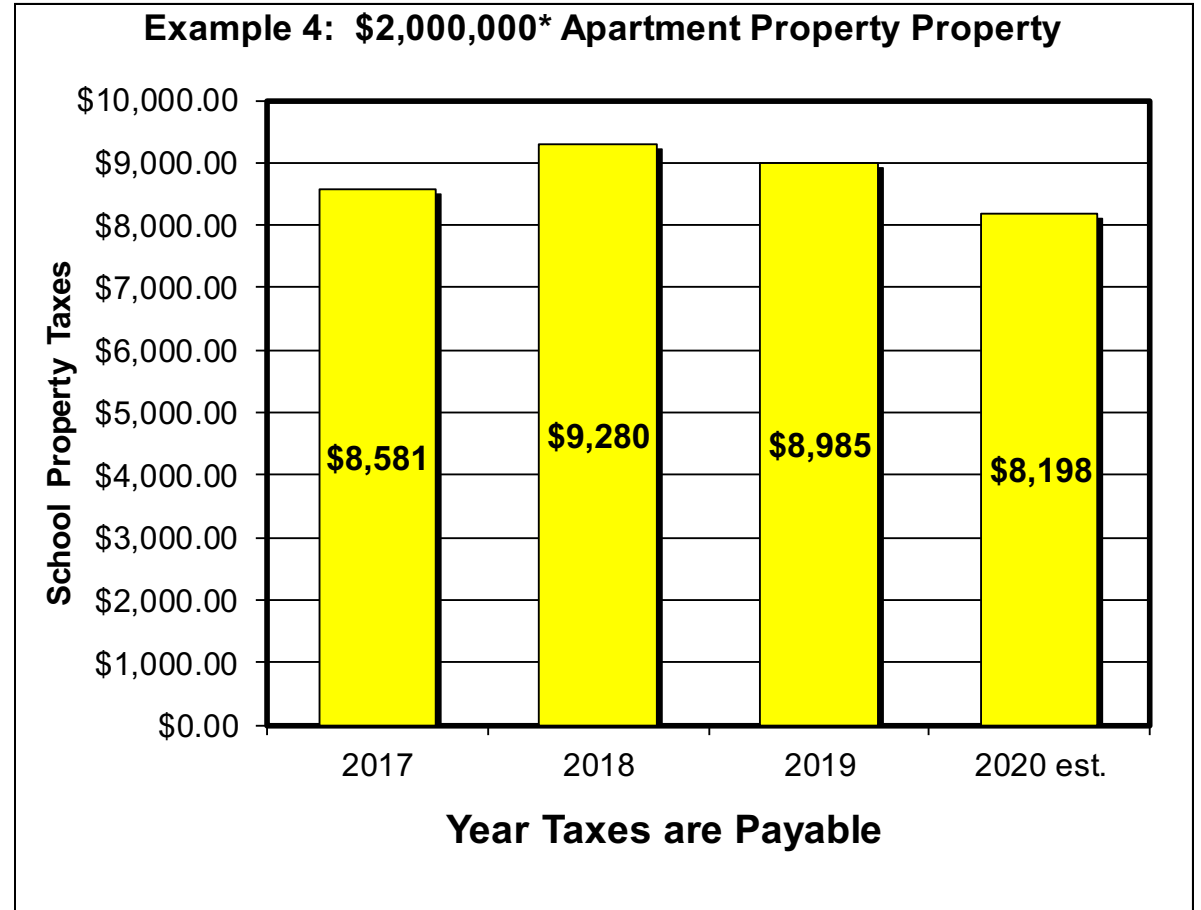
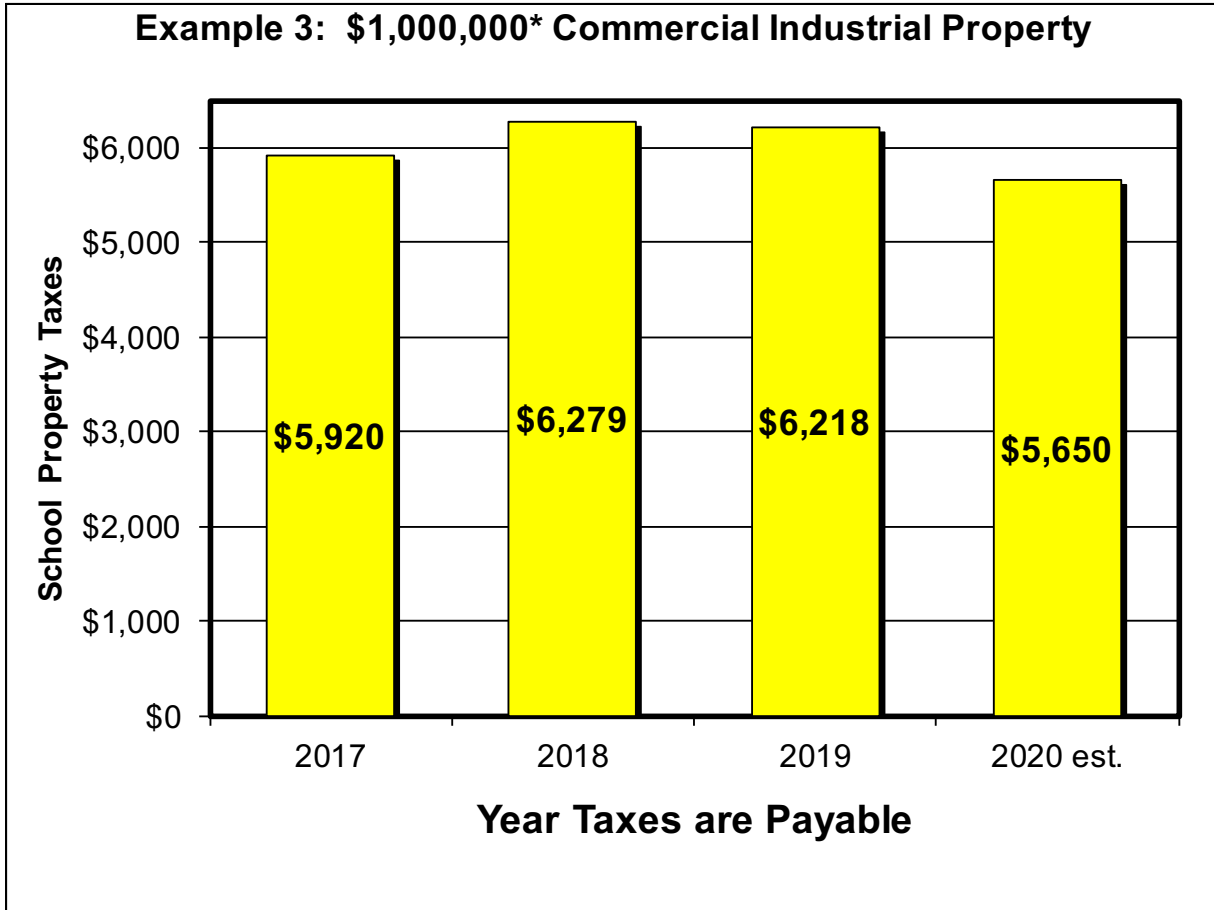


* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2020. Taxes are calculated based on changes in market value of 6.8% from 2017 to 2018 taxes, 5.2% from 2018 to 2019, and 3.4% from 2019 to 2020.

Inver Grove Heights Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 16.2% Cumulative Changes in Property Value from 2017 to 2020 Taxes



* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2020. Taxes are calculated based on changes in market value of 6.8% from 2017 to 2018 taxes, 5.2% from 2018 to 2019, and 3.4% from 2019 to 2020.

Next Steps

1

Board will accept public
comments on proposed levy

2

Board will certify 2020
property tax levy



Public Comments
