



*A World-Class Community of Learners*

# Fridley Public Schools, ISD 14

## Public Hearing for Taxes Payable in 2021

DECEMBER 15, 2020

PRESENTED BY:

BARBIE ROESSLER,

DIRECTOR OF FINANCE AND  
OPERATIONS

# Minnesota State Law Requires:

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## **A Public Meeting...**

- Between November 25th & December 28th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

## **...and Presentation of:**

- Current year budget
- Proposed property tax levy

# Hearing Agenda

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- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2021
- Public Comments

# MN Legislature Must Set Funding for Minnesota Public Schools

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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

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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 in November)

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

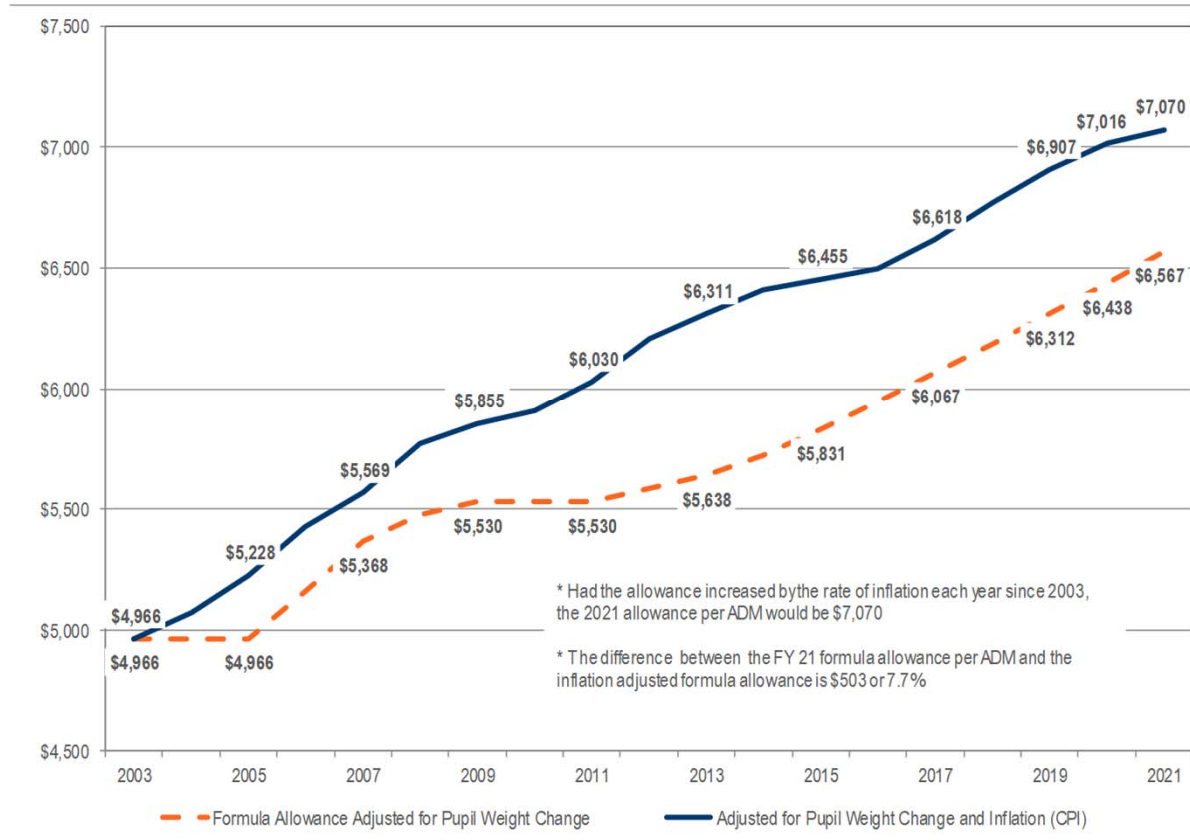
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- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, an increase of 2% or \$129 over previous year was approved
- No additional changes to formula have been approved by legislature

*Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$503 (7.7%) to have kept pace with inflation since 2002-03*

## General Education Formula Allowance, 2003-2021

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2020 Inflation Estimates



# Underfunding of Special Education

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MDE reports 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

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- 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 \$1,570 per pupil
  - Of this amount, \$846 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)
  - Statewide, referendum revenue including Local Optional Revenue (LOR) provides 14.3% of General Fund operating revenue

# Change in Tax Levy does not Determine Change in Budget

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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`


# School District Levy Cycle Differs from City/County Levy Cycle

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## **City/County:**

- Budget Year same as calendar year
- 2021 taxes provide revenue for 2021 calendar year budget

## **Schools:**

- Budget year begins July 1st and coincides with school year
  - 2021 taxes provide revenue for 2021-22 school fiscal year
  - Budget will be adopted in June 2021
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# Budget Information

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Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information be presented at this hearing. Fiscal Year 2021-22 budget will be adopted by School Board in June 2021.

**All school district budgets are divided into separate funds, based on purposes of revenue, as required by law**

## **Our District's Funds:**

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Internal Service
- OPEB\* Trust
- OPEB\* Debt Service

*\*Other post employment benefits*

## Fridley Public Schools, ISD 14

### District Revenues and Expenditures

Actual for FY 2020, Budget for FY 2021

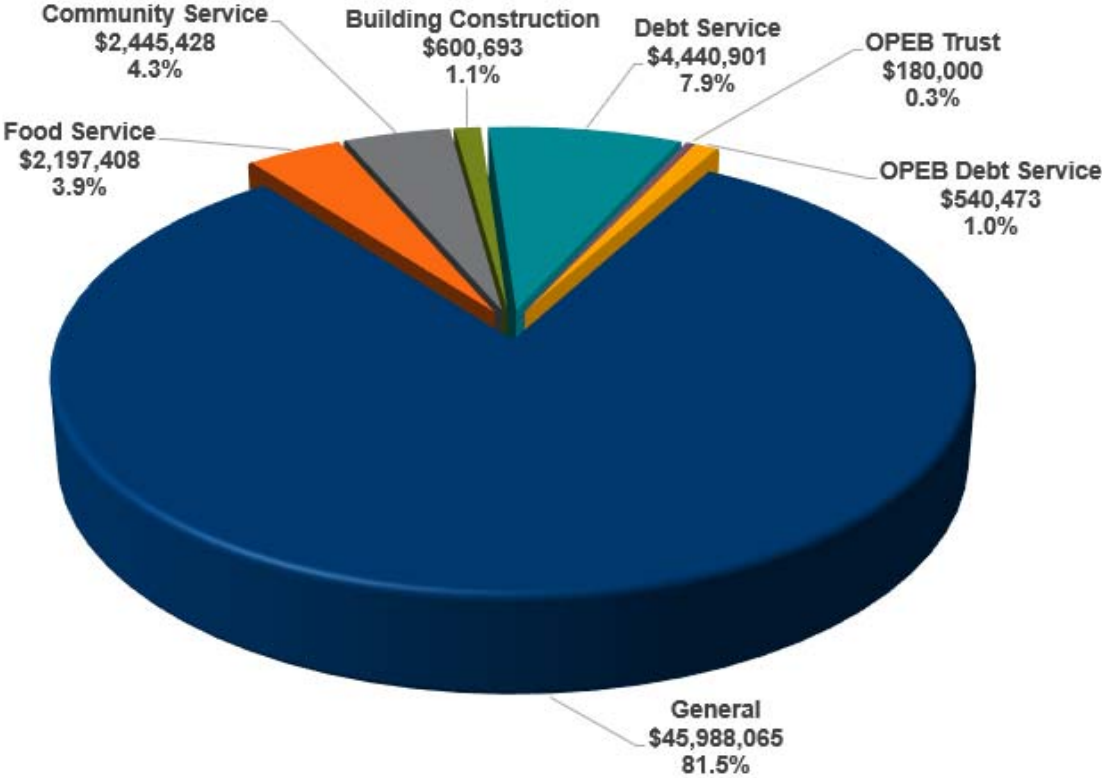
FUND	FISCAL 2020 BEGINNING	2019-20 ACTUAL	2019-20 ACTUAL	JUNE 30, 2020 ACTUAL	2020-21 BUDGET	2020-21 BUDGET	JUNE 30, 2021 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
<b>General/Restricted</b>	\$1,036,386	\$9,940,416	\$9,216,664	\$1,760,138	\$8,814,462	\$10,013,899	\$560,701
<b>General/Other</b>	4,933,466	34,453,637	33,686,297	5,700,806	37,173,603	35,793,720	7,080,689
<b>Food Service</b>	574,349	1,799,298	1,749,649	623,998	2,197,408	2,189,191	632,215
<b>Community Service</b>	453,909	2,662,613	2,712,965	403,557	2,445,428	2,592,562	256,423
<b>Building Construction</b>	444,103	547,072	161,946	829,229	600,693	600,693	829,229
<b>Debt Service</b>	667,127	4,468,083	4,347,350	787,860	4,440,901	4,345,100	883,661
<b>Internal Service</b>	4,077,082			4,771,281			4,794,709
<b>OPEB* Revocable Trust</b>	4,545,762	266,820	309,533	4,503,049	180,000	212,000	4,471,049
<b>OPEB* Debt Service</b>	123,405	537,014	546,895	113,524	540,473	540,580	113,417
<b>Total All Funds</b>	<b>\$16,855,589</b>	<b>\$54,674,953</b>	<b>\$52,731,299</b>	<b>\$19,493,442</b>	<b>\$56,392,968</b>	<b>\$56,287,745</b>	<b>\$19,622,093</b>

\*Other Post Employment Benefits

# Fridley Public Schools, ISD 14

Revenue - All Funds

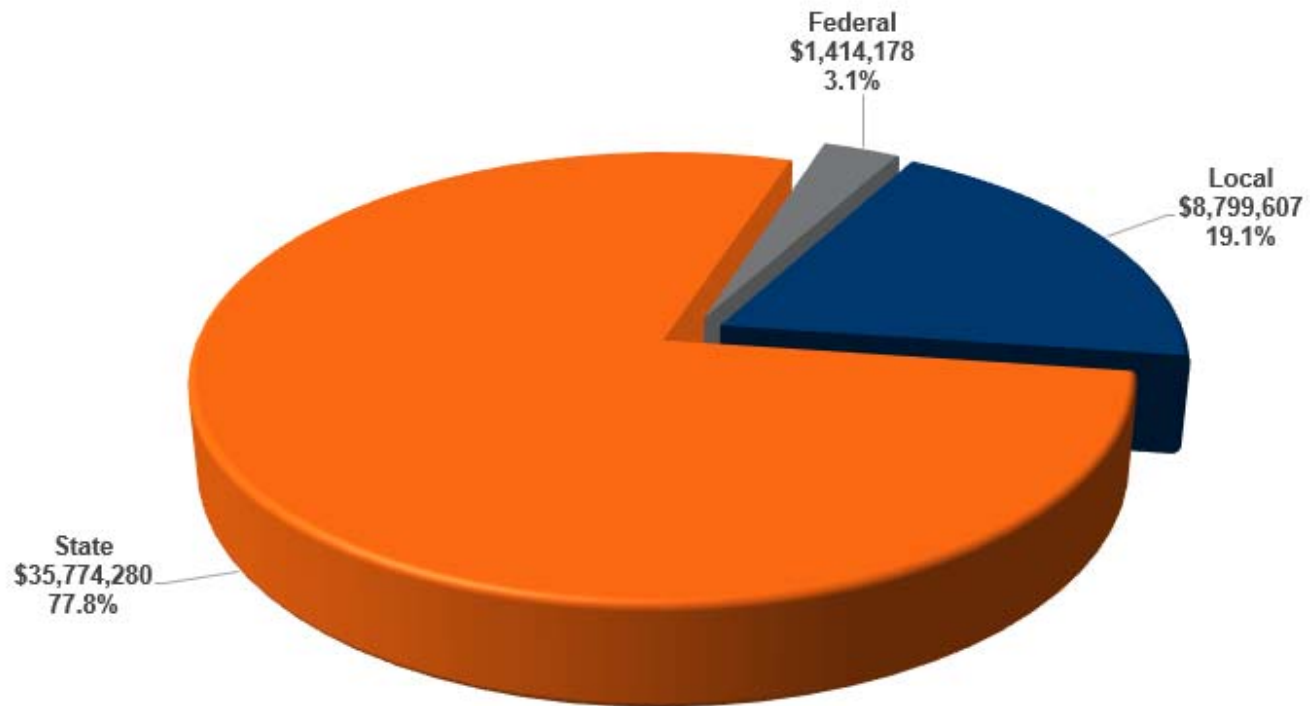
2020-21 Budget \$56,392,968



# Fridley Public Schools, ISD 14

General Fund Revenue

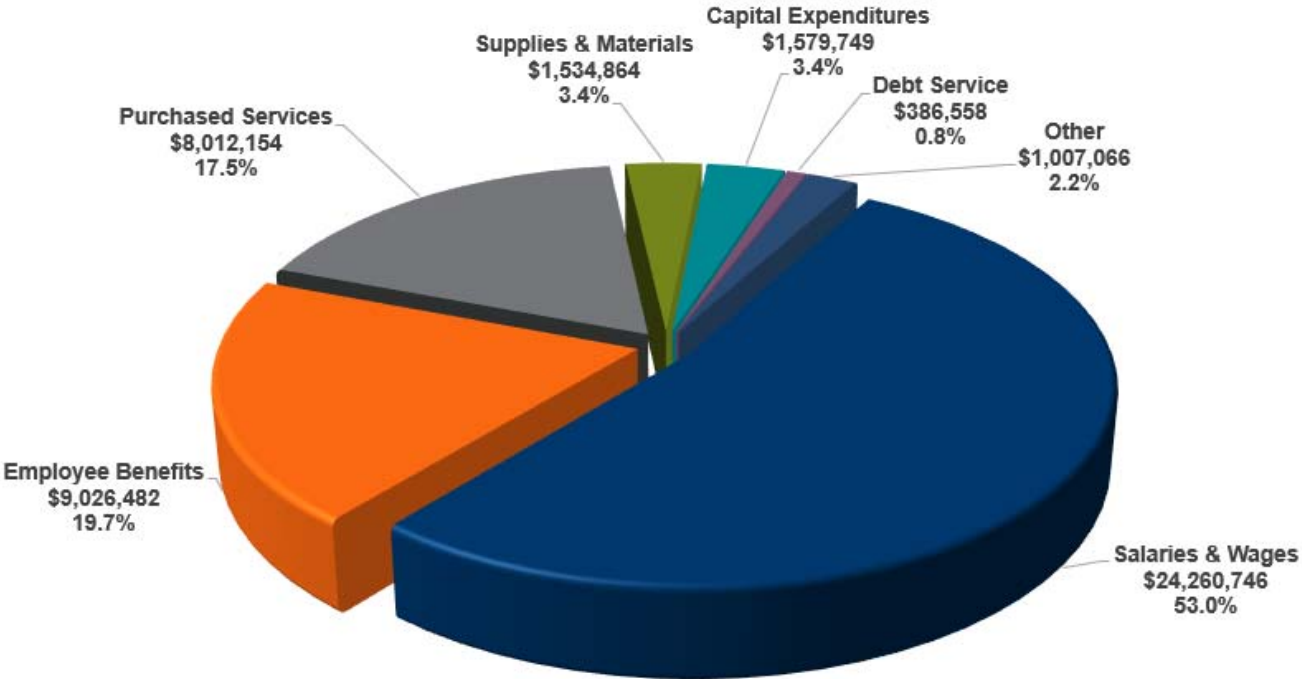
2020-21 Budget \$45,988,065



# Fridley Public Schools, ISD 14

General Fund Expenditures by Object

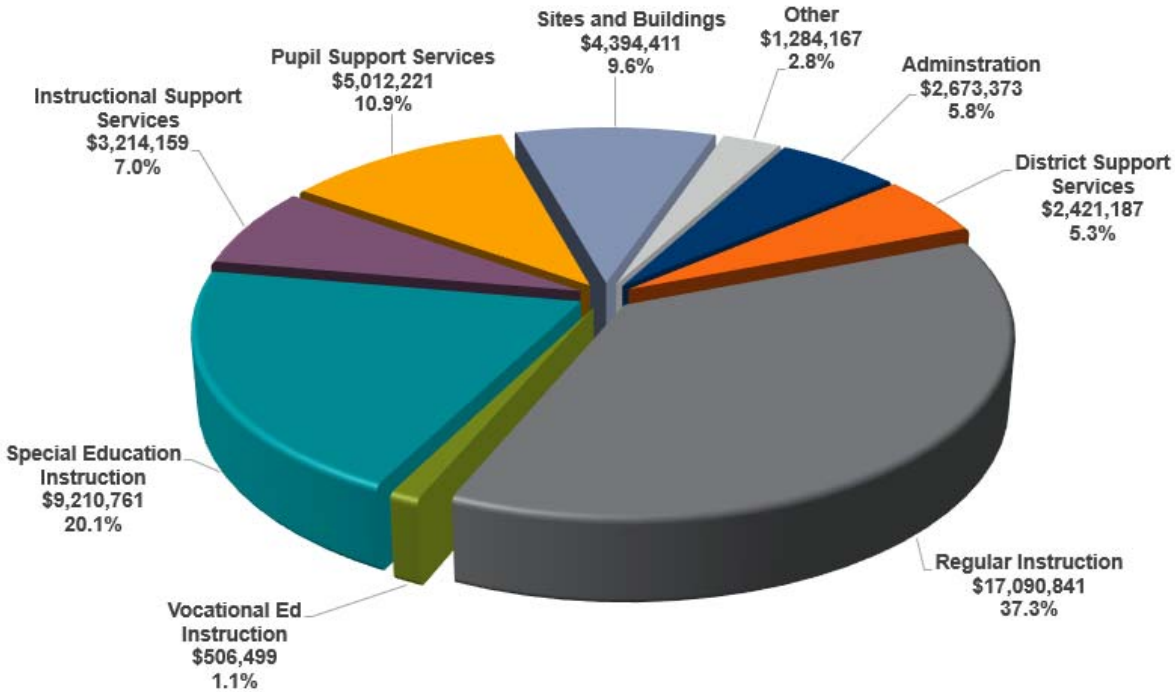
2020-21 Budget \$45,807,619



# Fridley Public Schools, ISD 14

General Fund Expenditures by Program

2020-21 Budget \$45,807,619



# Payable 2021 Property Tax Levy

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- Determination of levy
- Comparison of 2020 to 2021 levies
- Reasons for changes in tax levy
- Impact on taxpayers

# Property Tax Background

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- 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

Sample of parcel specific notice mailed to every property owner between November 11 & November 24 with information on impact of Proposed 2021 levy

Contents:

- Proposed property taxes compared to last year
- By taxing jurisdiction
- Contains time and place of public meetings
- By voter approved and other for school district



**Spruce County**  
 Jane Smith, Auditor-Treasurer  
 345 12th Street East, Box 78  
 Spruceville, MN 55555-5555  
 (555) 345-6789  
 www.co.spruce.mn.us

**TAXPAYER(S):**  
 John and Mary Johnson  
 123 Pine Rd S  
 Spruceville, MN 55555-5555

**Property Information**  
 PIN Number: 01.234.56.789.R1      Property Address: 789 Pine Rd S  
 Lot 1, Block 1, Spruce Acres Subdivision      Spruceville, MN 55555

PROPOSED TAXES 2021			
THIS IS NOT A BILL. DO NOT PAY.			
VALUES AND CLASSIFICATION			
Step 1	Taxes Payable Year	2020	2021
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
Step 2	Property Taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,550.46	
Step 3	PROPERTY TAX STATEMENT Coming in 2021		
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 2020	Proposed 2021
State General Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 4, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7854	December 3, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 10, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2021 may be higher than the proposed amount shown on this notice.</i>			
Metro Special Taxing Districts		\$57.76	\$58.70
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St.		
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22
<b>Total excluding any special assessments</b>		<b>\$1,422.02</b>	<b>\$1,550.46</b> 9.0%

# School District Property Taxes

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- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts for each category are set by:
  - State law
  - Voter approval

*Minnesota Department of Education (MDE) calculates levy maximums for each district*

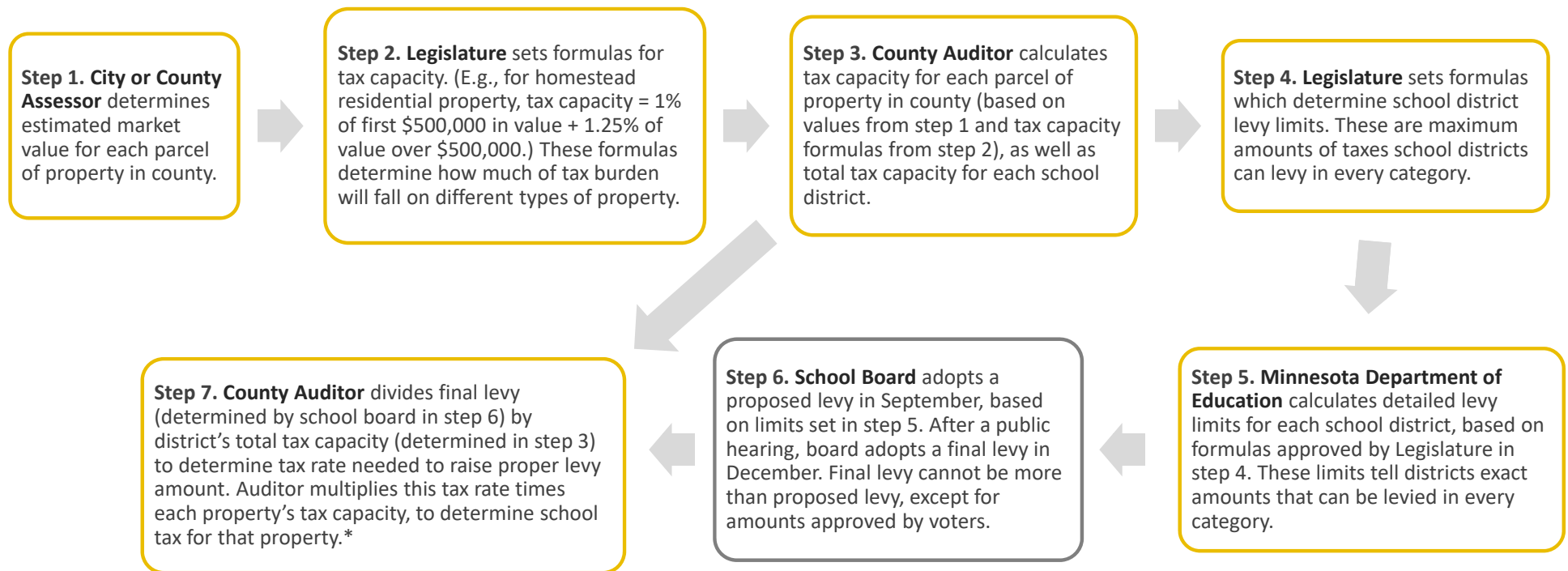
# Property Tax Background

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## School District Property Taxes

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

# School District Property Tax Process



**Step 7\*.** For certain levy categories (referendum, equity & transition levies), tax rates & levy amounts are based on referendum market value, rather than tax capacity.

# Schedule of Events in Approval of District's 2020 (Payable 2021) Tax Levy

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# Overview of Proposed Levy Payable in 2021

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- Proposed property tax levy for 2021 is an increase from 2020 of \$131,838 or 1.1%
  - Includes decrease of \$76,567 from proposed levy approved by School Board in September, because District refinanced some of its existing bonds
  - Total savings from refinancing was approximately \$338,000, with reduction in debt service levies for taxes payable in 2021 through 2025
- Reasons for major changes in levy are included on following slides

## Fridley Public School District, ISD 14

Comparison of Actual Tax Levy Payable in 2020 to Proposed Levy Payable in 2021

Fund Levy Category	Actual Levy Payable in 2020	Proposed Levy Payable in 2021	\$ Change	% Change
<b>General</b>				
Voter Approved Operating Referendum	1,399,359.10	1,537,773.00	\$138,414	
Local Optional Revenue (LOR)	1,851,785	1,867,084	15,299	
Equity	435,329	425,446	(9,883)	
Capital Project Referendum	924,145	987,134	62,989	
Operating Capital	181,870	195,250	13,380	
Alternate Teacher Compensation	272,631	280,026	7,396	
Achievement and Integration	219,119	228,592	9,473	
Safe Schools	157,865	154,336	(3,529)	
Long Term Facilities Maintenance	1,179,715	1,154,778	(24,937)	
Instructional Lease	587,227	584,730	(2,497)	
Other	156,522	233,998	77,477	
Prior Year Adjustments	15,689	(46,508)	(62,197)	
<b>Total, General Fund</b>	<b>\$7,381,256</b>	<b>\$7,602,641</b>	<b>\$221,385</b>	<b>3.0%</b>
<b>Community Service</b>				
Basic Community Education	\$120,409	\$120,409	\$0	
Early Childhood Family Education	50,270	50,437	167	
School-Age Child Care	165,000	175,000	10,000	
Other	1,129	1,244	115	
Prior Year Adjustments	50,494	74,607	24,113	
<b>Total, Community Service Fund</b>	<b>\$387,303</b>	<b>\$421,698</b>	<b>\$34,395</b>	<b>8.9%</b>
<b>Debt Service</b>				
Voter Approved	\$2,311,681	\$2,253,775	(\$57,906)	
Other	264,390	263,183	(1,207)	
Long-Term Facility Maintenance	1,413,761	1,451,430	37,669	
Other Post Employment Benefits	567,084	572,623	5,539	
Reduction for Debt Excess	(203,564)	(304,391)	(100,827)	
Prior Year Adjustments	58,308	51,098	(7,209)	
<b>Total, Debt Service Fund</b>	<b>\$4,411,660</b>	<b>\$4,287,719</b>	<b>(\$123,941)</b>	<b>-2.8%</b>
<b>Total Levy, All Funds</b>	<b>\$12,180,219</b>	<b>\$12,312,057</b>	<b>\$131,838</b>	<b>1.1%</b>
<b>Subtotal by Truth in Taxation Categories:</b>				
Voter Approved	4,574,310	4,671,343	97,033	
Other	7,605,909	7,640,714	34,806	
<b>Total</b>	<b>\$12,180,219</b>	<b>\$12,312,057</b>	<b>\$131,838</b>	<b>1.1%</b>

# Explanation of Levy Changes

---

**Categories:** Voter Approved Operating Referendum

**Changes:** +\$138,414

**Use of Funds:** General Operating Expenses

**Reason for Changes:**

- Voter approved operating referendum authority includes an annual inflationary increase
- Revenues are partially funded by the State through equalization aid. The district's total valuation increased, resulting in a reduction in aid from the State, and an offsetting increase in the local levy

# Explanation of Levy Changes

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**Categories:** Capital Project Referendum

**Changes:** +\$62,989

**Use of Funds:** Deferred Maintenance and Technology

**Reason for Increase:**

- Voter approved amount is a rate that is applied to the District's tax base
- District's tax base increased

# Explanation of Levy Changes

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**Category:** Reduction for Debt Excess

**Change:** -\$100,827

**Use of Funds:** Payments 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
- State-required levy reduction for 2021 is more than 2020

# Factors Impacting Individual Taxpayers' School Taxes

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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

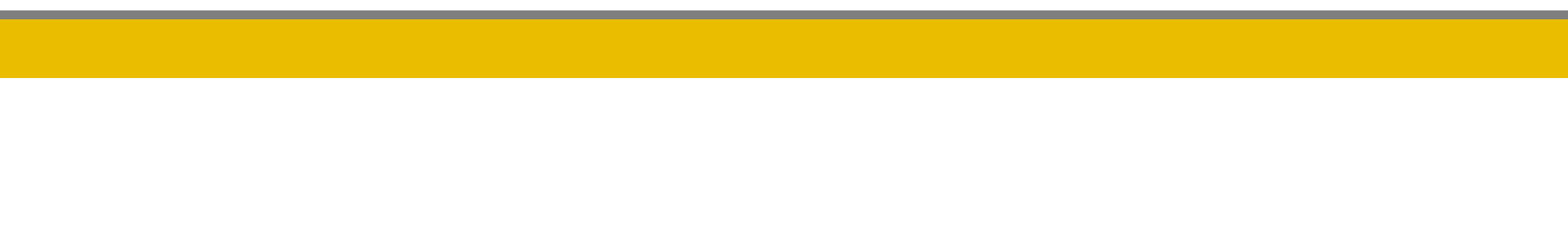
# Four Year School Levy Comparison

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- Following slides show examples of changes in school district portion of property taxes from 2018 to 2021
- All examples are based on a 20.2% increase in property value over this four-year period
  - Actual changes in value may be more or less than this for any parcel of property
  - Intended to provide a fair representation of what happened to school district property taxes over this period for typical properties

# Impact on Taxpayers

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- Examples are for property in City of Fridley
  - Amounts for 2021 are preliminary estimates, based on best available data – final amounts could change slightly
  - Estimates prepared by Ehlers, District's municipal financial advisors
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## Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 20.2% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Type of Property	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	Actual Taxes Payable in 2020	Estimated Market Value for 2021 Taxes	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	\$83,192	\$414	\$89,847	\$448	\$95,238	\$511	\$100,000	\$506	\$92	-\$5
	124,788	716	134,771	763	142,857	853	150,000	842	126	-11
	166,384	1,018	179,695	1,079	190,476	1,195	200,000	1,177	159	-18
	207,980	1,319	224,618	1,394	238,095	1,537	250,000	1,512	193	-25
	249,576	1,621	269,542	1,710	285,714	1,878	300,000	1,848	227	-30
	332,768	2,225	359,389	2,340	380,952	2,562	400,000	2,518	293	-44
	415,960	2,828	449,236	2,955	476,190	3,219	500,000	3,155	327	-64
	499,151	3,394	539,084	3,594	571,429	3,946	600,000	3,896	502	-50
	665,535	4,736	718,778	4,997	761,905	5,454	800,000	5,379	643	-75
831,919	6,080	898,473	6,400	952,381	6,962	1,000,000	6,861	781	-101	
Commercial/ Industrial #	\$415,960	\$3,252	\$449,236	\$3,497	\$476,190	\$3,716	\$500,000	\$3,637	\$385	-\$79
	623,939	5,005	673,854	5,370	714,286	5,690	750,000	5,564	559	-126
	831,919	6,757	898,473	7,244	952,381	7,663	1,000,000	7,492	735	-171
	1,247,879	10,262	1,347,709	10,990	1,428,571	11,611	1,500,000	11,347	1,085	-264
	1,663,838	13,766	1,796,945	14,737	1,904,762	15,558	2,000,000	15,202	1,436	-356
Apartments and Res. Non-Homestead ( 2 or more units)	\$83,192	\$672	\$89,847	\$701	\$95,238	\$754	\$100,000	\$741	\$69	-\$13
	499,151	4,031	539,084	4,208	571,429	4,524	600,000	4,448	417	-76
	831,919	6,718	898,473	7,013	952,381	7,539	1,000,000	7,413	695	-126

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

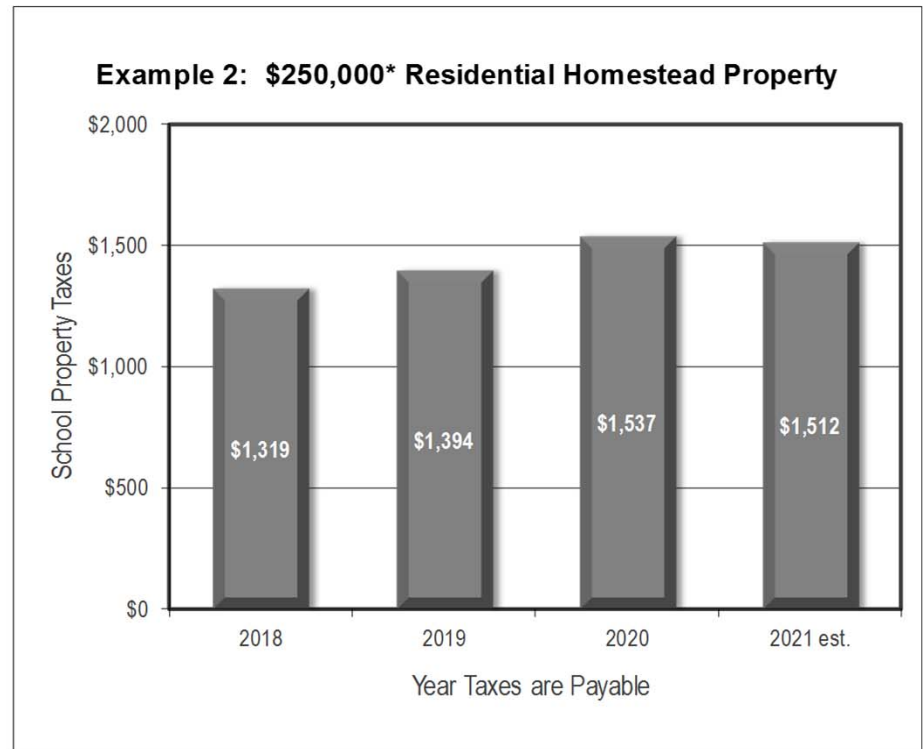
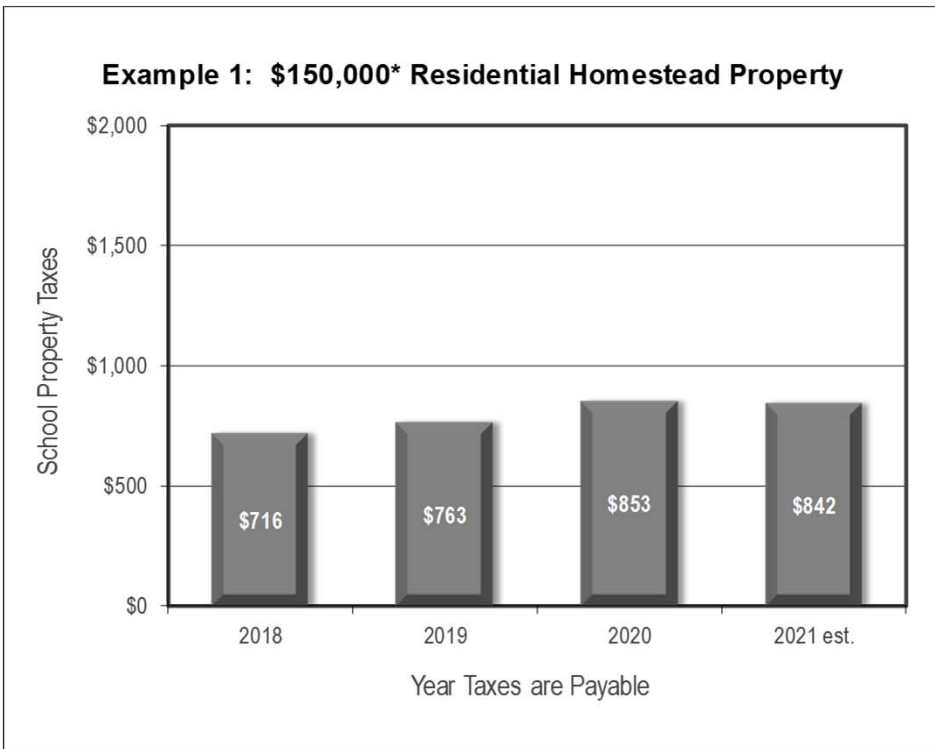
### General Notes

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 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 8.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 5.0% from 2020 to 2021.

## Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 20.2% Cumulative Changes in Property Value from 2018 to 2021 Taxes

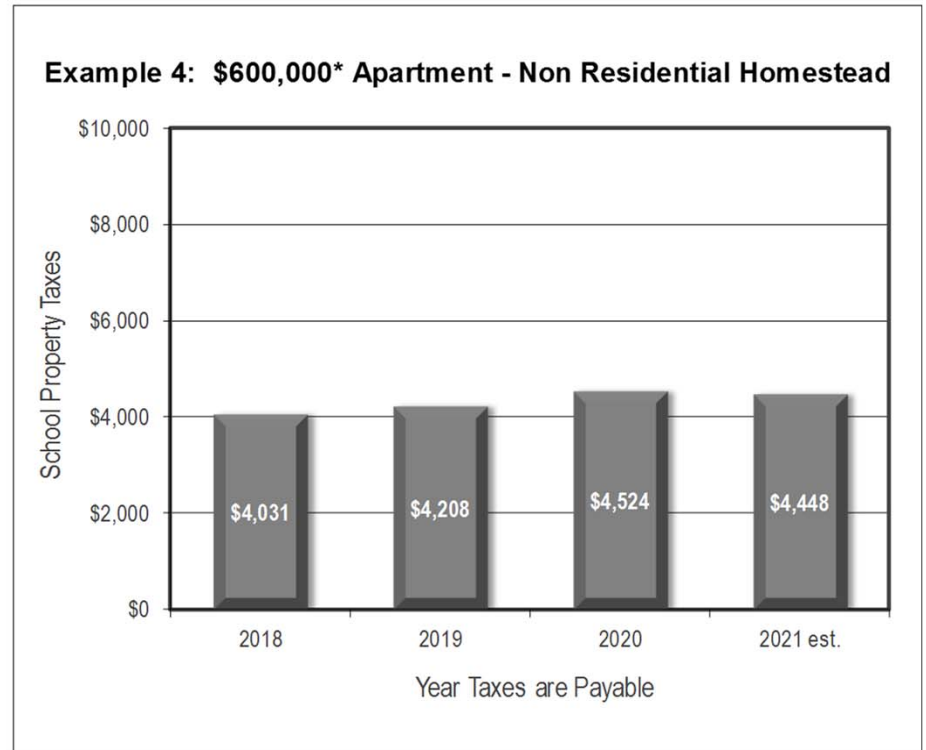
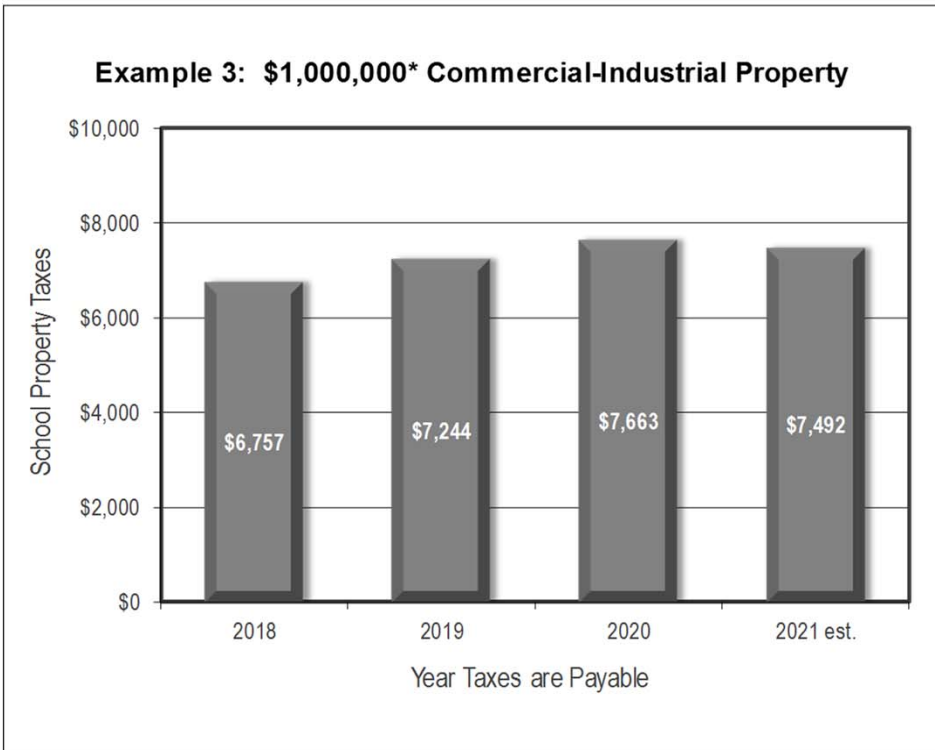


\* For example properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 8.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 5.0% from 2020 to 2021.

## Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 20.2% Cumulative Changes in Property Value from 2018 to 2021 Taxes



\* For example properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 8.0% from 2018 to 2019 taxes, 6.0% from 2019 to 2020, and 5.0% from 2020 to 2021.

# Minnesota Homestead Credit Refund “Circuit Breaker”

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- Has existed since 1970s
- Available each year to owners of homestead property  
(applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately \$115,020 or less  
(income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,820
- Also available to renters
- Complete state tax form M-1PR ([www.revenue.state.mn.us](http://www.revenue.state.mn.us))

# Minnesota Special Property Tax Refund

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Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

No income limits

Complete state tax form  
M-1PR  
([www.revenue.state.mn.us](http://www.revenue.state.mn.us))

# Senior Citizen Property Tax Deferral

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- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on home
- Must have lived in, owned, and homesteaded for last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax paid will not change while participating in program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

# Next Steps

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1

Board will accept public comments on proposed levy

2

Board will certify 2021 property tax levy



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PUBLIC COMMENTS