



DECEMBER 10, 2018

PRESENTED BY:

TIM WALD,

ASSISTANT SUPERINTENDENT FOR FINANCE

AND OPERATIONS

&

THOMAS WIECZOREK,
DIRECTOR OF FINANCE

Tax Hearing Presentation

State Law Requires Public Meeting:

- Between November 25th and December 28th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting

State Law Requires Presentation of:

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

**State Law also requires the district allow for public comments*

Agenda for Hearing

1. Background on Student Achievement and School Funding
2. District Budget
3. District's Proposed Tax Levy for Taxes Payable in 2019
4. Public Comment

Minnesota Public School Student Achievement is Strong

- State law requires all juniors and seniors be offered the ACT, but the test is no longer mandatory. We provide a free ACT test for all students
- In 2018 Minnesota ranks first among the 19 states where 90% or more students take the college entrance exam, earning a composite score of 21.3
- National composite score for 2018 is 20.8 based on 55% of 2018 graduating seniors taking the ACT
- The Class of 2018 earned a composite ACT score of 21.9

Success Story-Academics

Class of 2018 ACT Results

	% of test takers	Composite
White Bear Lake	94%	21.9%
National Avg	55%	20.8%

2018 MCA Test Results

Percentage Meeting or Exceeding Standards

	Math	Reading	Science
White Bear Lake	64.7%	64.8%	57.9%
State Avg	57.7%	60.4%	52.5%

Minnesota State Constitution Assigns Legislature Responsibility to Set Funding for 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...

School funding is highly regulated by the state

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)

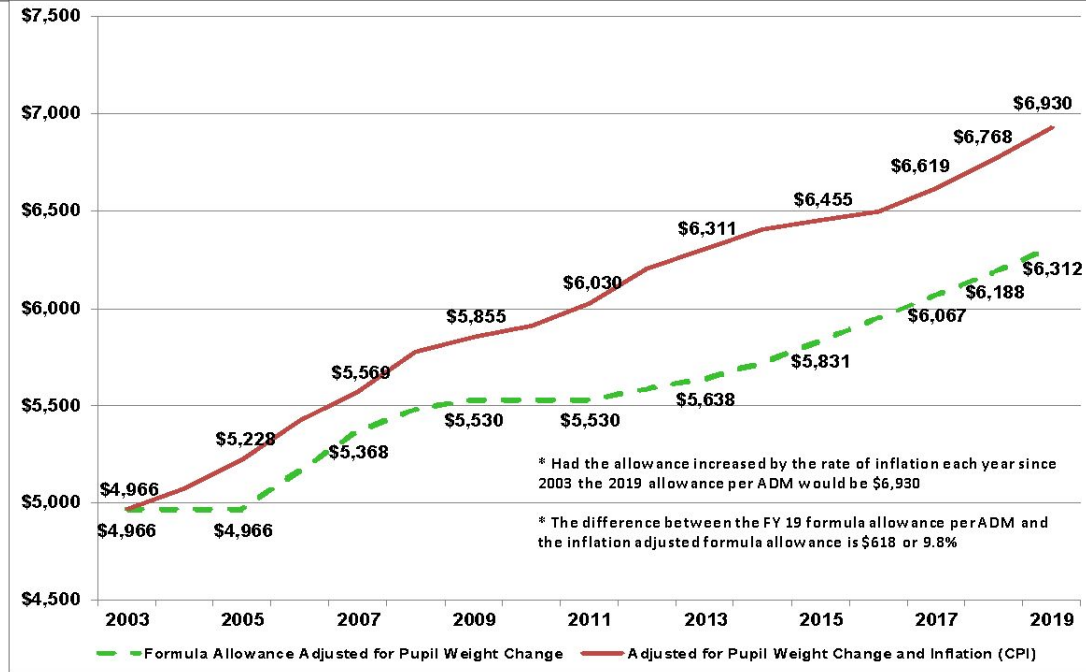
State also authorizes school board to submit referendums for operating and capital needs to voters for approval

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 2018-19, Legislature approved an increase of 2% or \$124 per pupil
- Per-pupil allowance for Fiscal Year 2018-19 would need to increase by another \$618 (9.8%) to have kept pace with inflation since 2002-03

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2018 Inflation Estimates

Underfunding of Special Education

MDE reports the FY 2016 cost of providing special education programs was underfunded by \$697 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,783 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 2018-19, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,371 per pupil
 - Referendum revenue provides 13% of General Fund operating revenue
 - Of this amount, \$951 is a board approved or voter approved operating referendum, and \$420 is Local Optional Revenue

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

School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2019 taxes provide revenue for 2019 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2019 taxes provide revenue for 2019-20 school fiscal year
- Budget will be adopted in June 2019

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 19-20 budget will be set in June 2019.

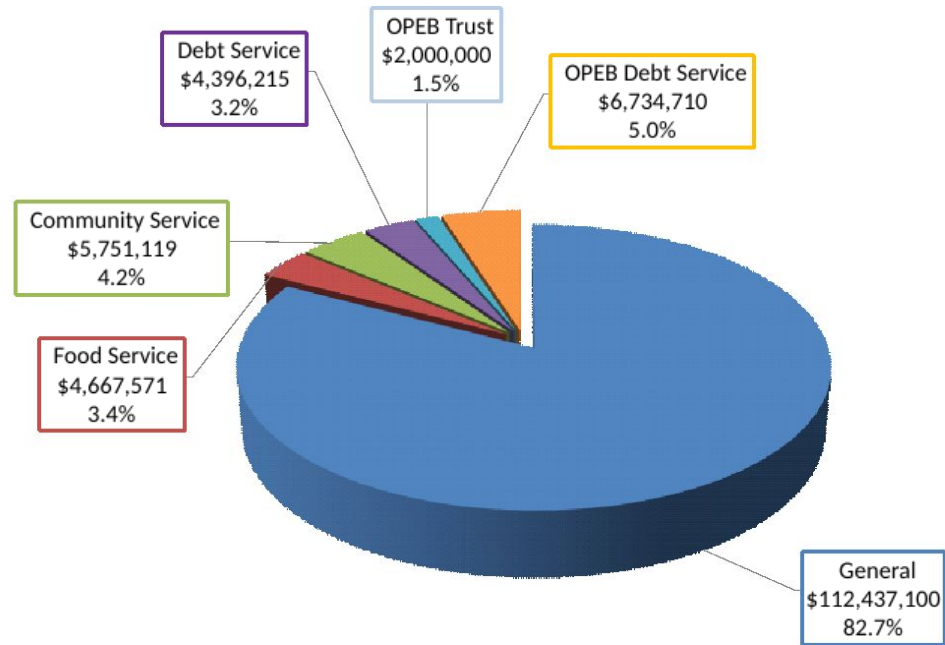
All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

Our District's Funds:

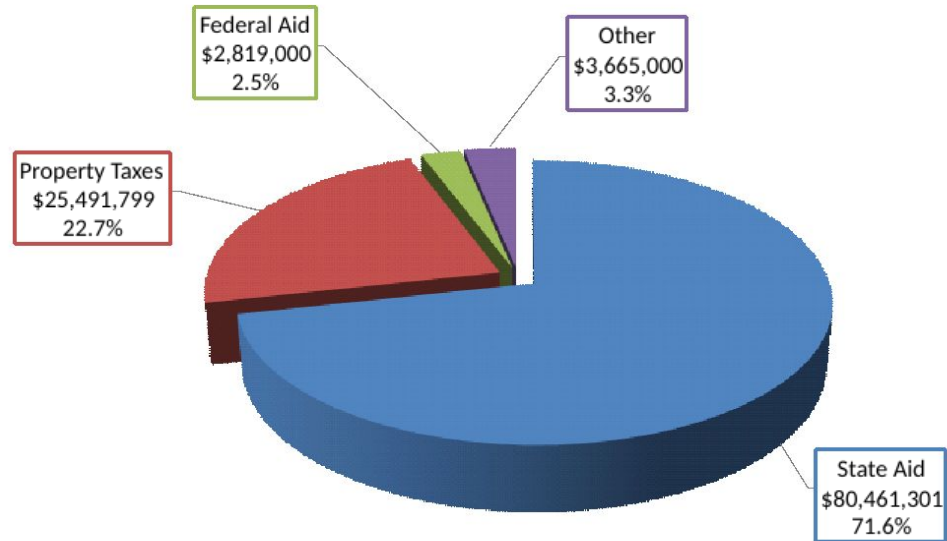
- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Trust
- Internal Service
- OPEB Trust
- OPEB Debt Service

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 Balance
General Fund/Restricted	\$ 2,414,098	\$ 6,523,977	\$ 7,577,399	\$ 1,360,676	\$ 6,874,810	\$ 5,538,790	\$ 2,696,696
General Fund/Other	\$ 22,625,505	\$ 101,069,530	\$ 105,180,487	\$ 18,514,548	\$ 105,562, 290	\$ 107,169,934	\$ 16,906,904
Food Service Fund	\$ 501,338	\$ 4,563,172	\$ 4,375,549	\$ 688,961	\$ 4,667,571	\$ 4,705,251	\$ 651,281
Community Service Fund	\$ 1,647,673	\$ 6,081,837	\$ 6,147,819	\$ 1,581,691	\$ 5,751,119	\$ 6,018, 648	\$ 1,314,162
Building Construction Fund	\$ 1,683,588	\$ 15,881,080	\$ 1,167,397	\$ 16,397,271	-	-	\$ 16,397,271
Debt Service Fund	\$ 1,253,704	\$ 16,442,223	\$ 16,272.110	\$ 1,423,817	\$ 4,396,215	\$ 4,377,166	\$ 1,442,866
Trust Fund	\$ 147,964	\$ 217,526	\$ 122,898	\$ 242,592	-	-	\$ 242,592
Internal Service Fund	\$ (970,064)			\$ (923,098)			
*OPEB Revocable Trust Fund	-	-	-	-	-	-	\$ -
OPEB Irrevocable Trust Fund	\$ 30,294,627	\$ 3,683,698	\$ 1,210,527	\$ 32,767,798	\$ 2,000,000	\$ 1,300,000	\$ 33,467, 798
*OPEB Debt Service Fund	\$ 1,111,175	\$ 6,378,535	\$ 6,204,275	\$ 2,285,435	\$ 6,734,710	\$ 6,572,538	\$ 1,447,607
TOTAL - ALL FUNDS	\$ 60,709,608	\$ 160,841,578	\$ 148,258,461	\$ 73,339,691	\$ 135,986,715	\$ 135,682,327	\$ 74,567,177

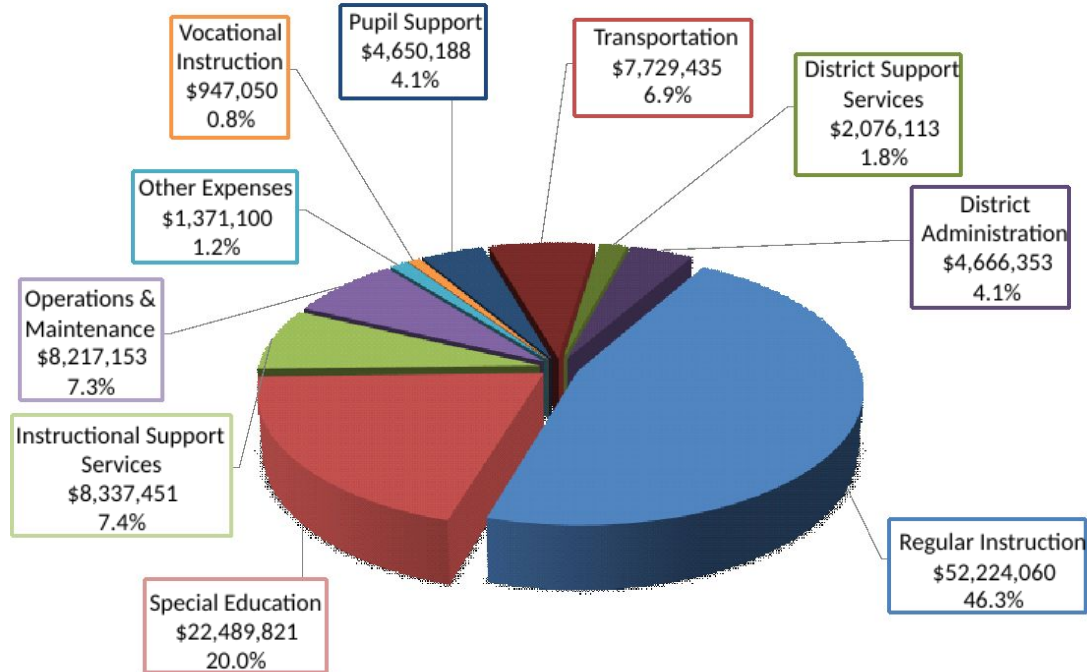
White Bear Lake Independent School District 624
Revenue - All Funds
2018-19 Budget \$135,986,715



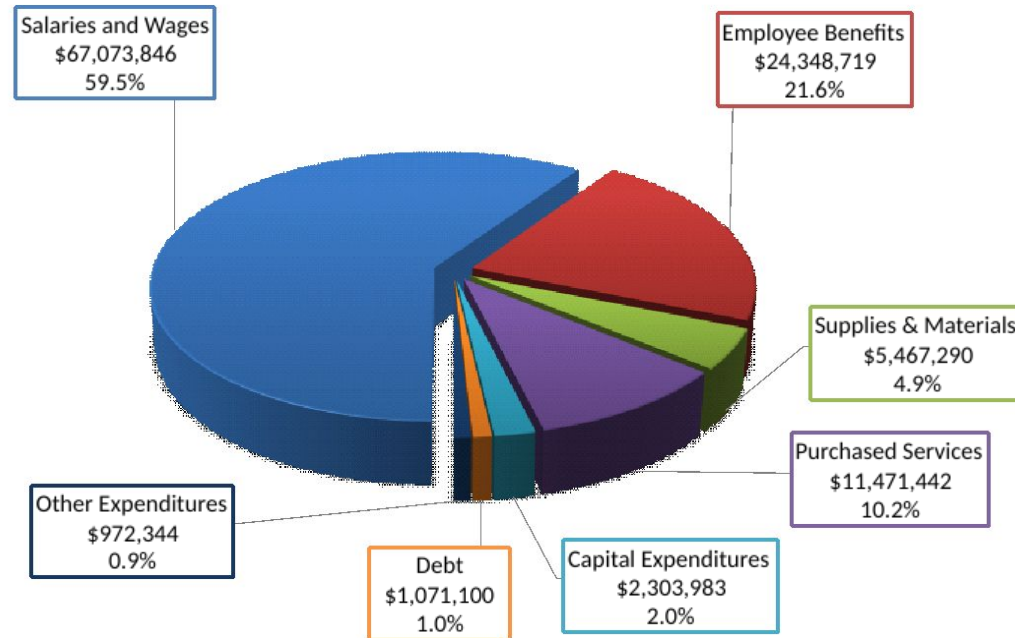
White Bear Lake Independent School District 624
General Fund Revenue
2018-19 Budget \$112,437,100



White Bear Lake Independent School District 624
General Fund Expenditures by Program
2018-19 Budget \$112,708,724



White Bear Lake Independent School District 624
General Fund Expenditure by Object
2018-19 Budget \$112,708,724



Payable 2019 Property Tax Levy

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- Determination of levy
- Comparison of 2018 to 2019 levies
- Specific reasons for changes in tax levy
- Impact on property taxes

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 2019 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



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
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2019

THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
1	Taxes Payable Year	2018	2019
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res N/Hmstd	Res Hmstd
2	PROPOSED TAX		
	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	
3	PROPERTY TAX STATEMENT		
	Coming in 2019		
	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 2018	Proposed 2019	
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 5, 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) 123-7654	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	December 10, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		\$289.35	\$296.68	
Other Levies		\$340.11	\$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 2019 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 12, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts	No public meeting	\$12.80	\$13.02	
Tax Increment Tax	No public meeting	\$10.15	\$11.22	
Total excluding any special assessments		\$1,410.02	\$1,550.46	9.0%

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

Property Tax Background

School District Property Taxes

- Key steps in process are summarized on next slide
- Any of these steps may affect the taxes on a parcel of property, but 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.

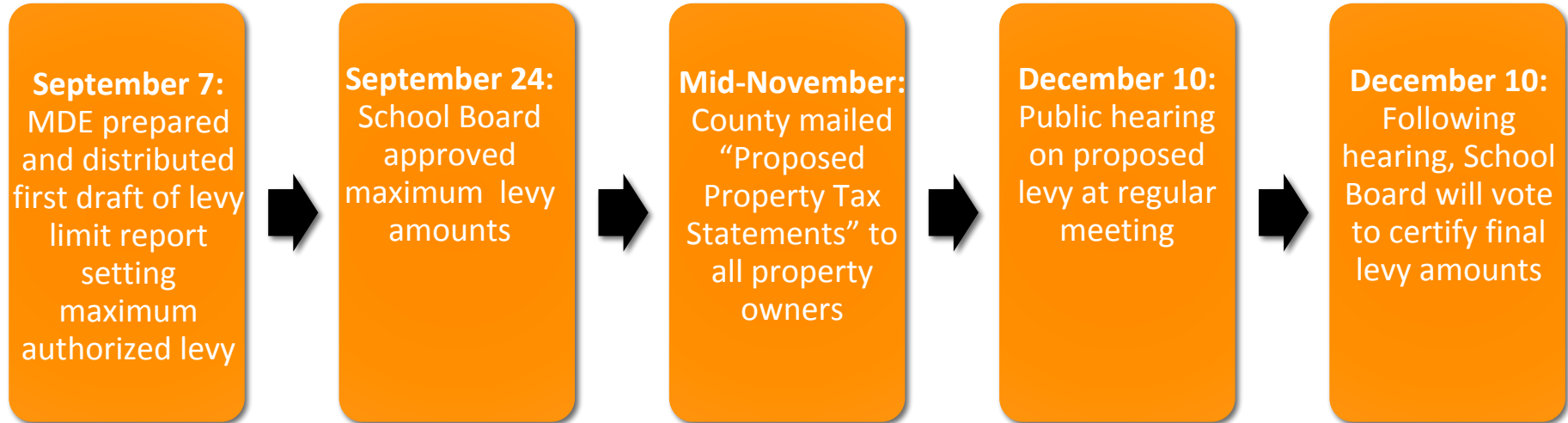


Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. Final levy cannot be more than the preliminary levy, except for amounts approved by voters.



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

Schedule of Events in Approval of District's 2018 (Payable 2019) Tax Levy



Overview of Proposed Levy Payable in 2019

Total 2019 proposed property tax levy is an increase from 2018 of \$5,317,807 or 13.8%

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

Some decreases in specific levies will also be explained

White Bear Lake Area School District #624**Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2019**

Fur Levy Category	Actual Levy Payable in 2018	Proposed Levy Payable in 2019	\$ Change	% Change
General Fund				
Voter Approved Referendum	\$13,497,255	\$14,246,789	\$749,534	
Local Optional Revenue	3,883,586	4,047,165	163,579	
Equity	847,130	935,907	88,777	
Capital Projects - Technology	1,704,570	1,866,380	161,810	
Operating Capital	783,218	909,084	125,866	
Long Term Facilities Maintenance	2,096,871	737,551	(1,359,320)	
Instructional Lease	1,927,951	1,881,058	(46,893)	
Safe Schools	467,129	486,805	19,676	
Other Including Abatements	1,233,719	1,263,417	29,698	
Adjustments	61,352	1,358,766	1,297,414	
Total, General Fund	\$26,502,781	\$27,732,923	\$1,230,141	4.6%
Community Service Fund				
Basic Community Education	\$450,353	\$450,353	\$0	
Early Childhood Family Education	254,092	260,029	5,937	
School-Age Child Care	300,000	325,000	25,000	
Other	11,695	12,112	417	
Adjustments	7,463	49,874	42,412	
Total, Community Service Fund	\$1,023,603	\$1,097,369	\$73,766	7.2%
Debt Service Funds				
Voter Approved	\$3,224,550	\$930,510	(\$2,294,040)	
LT Facility Maintenance	1,313,903	4,417,926	3,104,023	
Other Post Employment Benefits	6,901,165	10,109,663	3,208,498	
Reduction for Debt Excess	(411,934)	(477,776)	(65,842)	
Adjustments	33,241	94,502	61,261	
Total, Debt Service Fund	\$11,060,925	\$15,074,825	\$4,013,900	36.3%
Total Levy, All Funds	\$38,587,309	\$43,905,116	\$5,317,807	13.8%
Subtotal by Truth in Taxation Categories:				
Voter Approved	15,186,756	16,947,006	1,760,250	
Other	23,400,553	26,958,110	3,557,557	
Total	\$38,587,309	\$43,905,116	\$5,317,807	13.8%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum

Change: +\$749,534

Use of Funds: General Operating Expenses

Reason for Change:

- Funding for the operating referendum is provided through a combination of local tax levy and state aid
- Because district's total property value increased, share of funding provided through tax levy increased
- Voter approved allowance includes an inflationary adjustment
- Enrollment is projected to increase

Explanation of Levy Changes

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

Change: -\$1,359,320

Use of Funds: Deferred facility maintenance costs

Reason for Change:

- Replaces Alternative Facility Levy, Health and Safety Levy, and Deferred Maintenance Levy
- Levy based on ten year maintenance program approved by District and MDE
- Levy is for “pay as you go” maintenance expenses, which can also be funded with bonds
- Portion of decrease offset by increase to Debt Service Fund for bonds

Explanation of Levy Changes

Category: General Fund – Adjustments

Change: +\$1,297,414

Use of Funds: General Operating Expenses

Reason for Change:

- Initial levies are estimates, with prior year levy adjustments calculated by state for up to three years
- Additional pupils resulted in referendum and local optional levy increasing
 - Initial levy for 2018-19 school year was based on 376 fewer pupils when set in December 2017
 - Referendum and local optional levy is based on number of pupils, so increase of pupils increased these levies by approximately \$1.1 million, which makes up the majority of these adjustments

Explanation of Levy Changes

Category: Debt Service

Change: +\$4,013,900

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

Reason for Change:

- Shift between voter approved and facilities maintenance bond payments due to paying off of older voter approved bonds
- Planned net increase in total bond payments

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

Four Year School Levy Comparison

Following are a table and graphs showing examples of changes in school district portion of property taxes from 2016 to 2019

Examples include school district taxes only

All examples are based on a 14.7% increase in property value over this 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 has happened to school district property taxes over this period for typical properties

Data by Ehlers (ISD624 financial advisors)

Impact on Taxpayers

- Amounts for 2019 are preliminary estimates, based on best data available now – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors
- For commercial-industrial property, examples are for property in City of White Bear Lake; school taxes in other parts of the District may be slightly higher or lower due to variations in impact of Fiscal Disparities Program

White Bear Lake ISD 624**Estimated Changes in School Property Taxes, 2016 to 2019***Based on 14.7% Cumulative Changes in Property Value from 2016 to 2019 Taxes*

Type of Property	Estimated Market Value for 2016 Taxes	Actual Taxes Payable in 2016	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	Estimated Taxes Payable in 2019	Change in Taxes 2016 to 2019	Change in Taxes 2018 to 2019
Residential Homestead	\$130,758	\$584	\$136,067	\$574	\$144,231	\$605	\$150,000	\$677	\$93	\$72
	174,344	811	181,422	794	192,308	837	200,000	935	124	98
	217,930	1,038	226,778	1,014	240,385	1,068	250,000	1,193	155	125
	261,516	1,266	272,134	1,235	288,462	1,299	300,000	1,451	185	152
	305,102	1,493	317,489	1,455	336,538	1,530	350,000	1,709	216	179
	348,688	1,720	362,845	1,675	384,615	1,762	400,000	1,967	247	205
	392,274	1,947	408,200	1,896	432,692	1,989	450,000	2,216	269	227
	435,860	2,169	453,556	2,108	480,769	2,210	500,000	2,463	294	253
	479,446	2,386	498,911	2,319	528,846	2,448	550,000	2,741	355	293
	523,032	2,618	544,267	2,555	576,923	2,697	600,000	3,020	402	323
Commercial/ Industrial #	\$130,758	\$640	\$136,067	\$621	\$144,231	\$657	\$150,000	\$724	\$84	\$67
	435,860	2,376	453,556	2,298	480,769	2,447	500,000	2,708	332	261
	871,720	4,878	907,112	4,710	961,538	5,011	1,000,000	5,541	663	530
	1,307,580	7,381	1,360,668	7,121	1,442,308	7,575	1,500,000	8,374	993	799
	1,743,440	9,884	1,814,224	9,533	1,923,077	10,139	2,000,000	11,207	1,323	1,068
Apartments and Res. Non-Homestead (2 or more units)	\$653,790	\$3,683	\$680,334	\$3,561	\$721,154	\$3,742	\$750,000	\$4,182	\$499	\$440
	871,720	4,910	907,112	4,748	961,538	4,989	1,000,000	5,576	666	587
	1,743,440	9,821	1,814,224	9,496	1,923,077	9,978	2,000,000	11,152	1,331	1,174

Tax Rates				
Tax Capacity Rate	26.235	23.476	23.684	26.034
Referendum Market Value Rate	0.23536	0.22996	0.22280	0.23216

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

General Notes

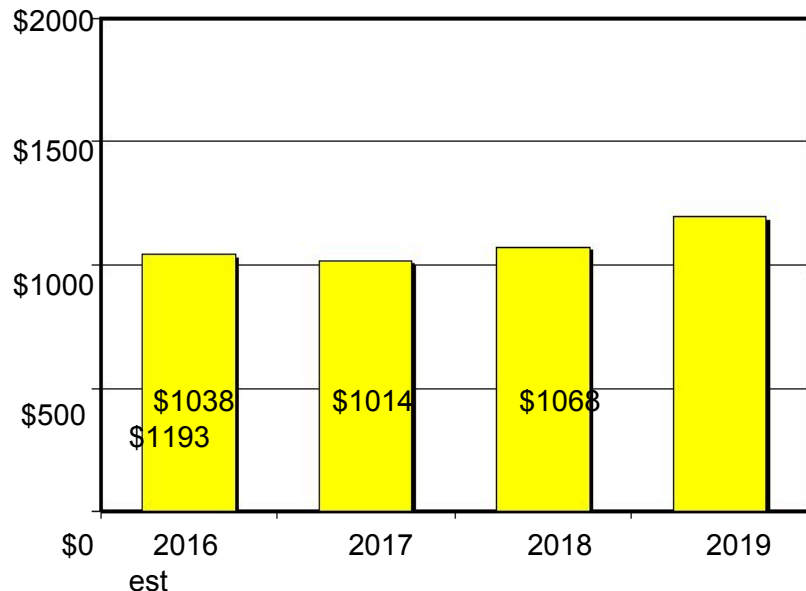
1. Amounts in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2019 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 4.1% from 2016 to 2017 taxes, 8.0% from 2017 to 2018, and 4.0% from 2018 to 2019.

White Bear Lake ISD 624

Estimated Changes in School Property Taxes, 2016 to 2019

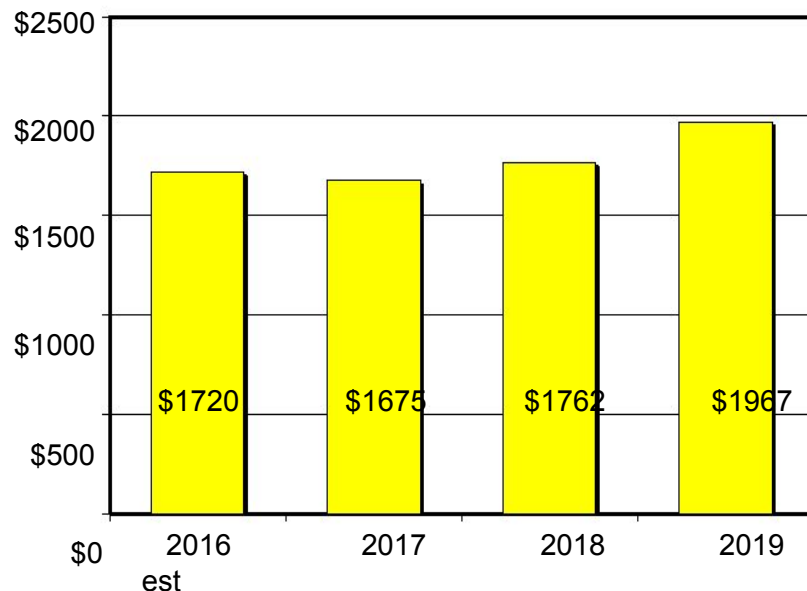
Based on 14.7% Cumulative Changes in Property Value from 2016 to 2019 Taxes

Example 1: \$250,000* Residential Homestead Property



Year Taxes are Payable

Example 2: \$400,000* Residential Homestead Property



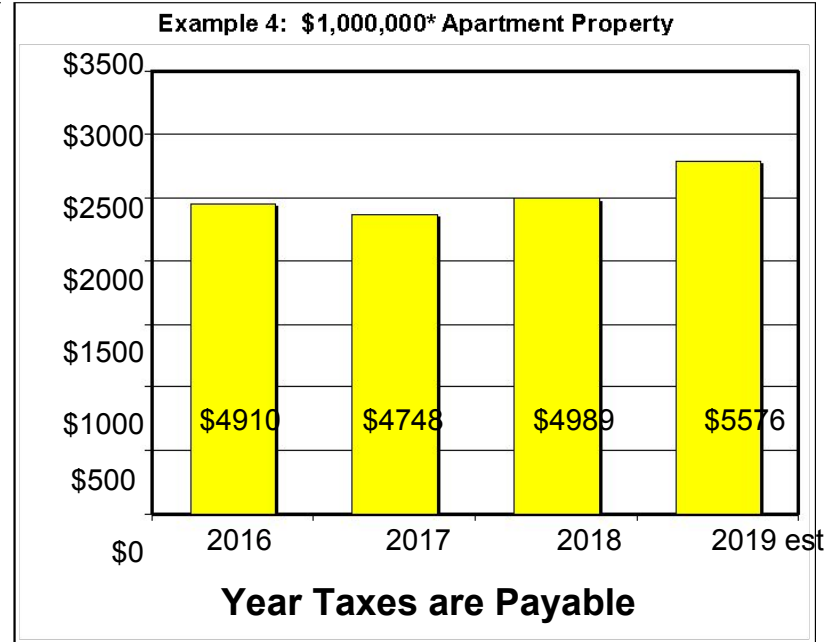
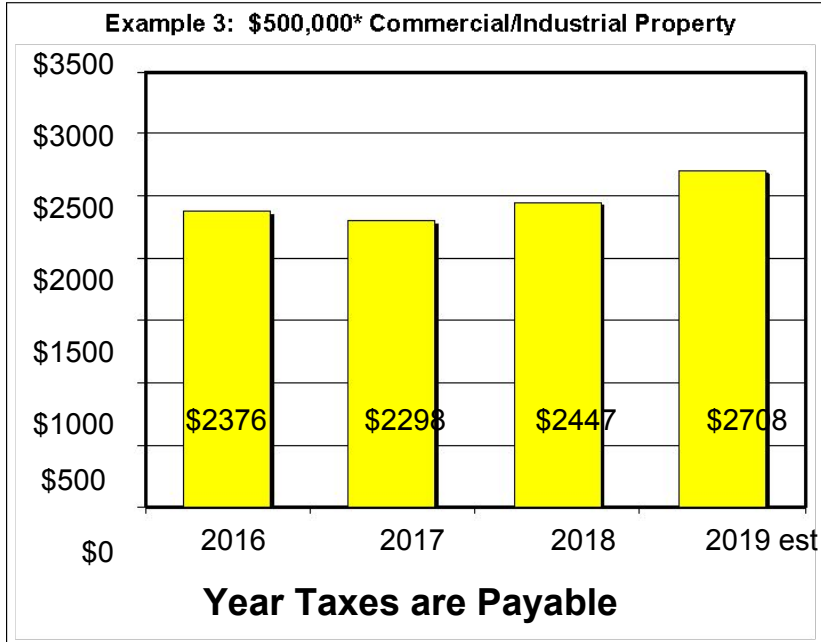
Year Taxes are Payable

* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2019. Taxes are calculated based on changes in market value of 4.1% from 2016 to 2017 taxes, 6.0% from 2017 to 2018, and 4.0% from 2018 to 2019.

White Bear Lake ISD 624

Estimated Changes in School Property Taxes, 2016 to 2019

Based on 14.7% Cumulative Changes in Property Value from 2016 to 2019 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 2019. Taxes are calculated based on changes in market value of 4.1% from 2016 to 2017 taxes, 6.0% from 2017 to 2018, and 4.0% from 2018 to 2019.

Minnesota Homestead Credit Refund “Circuit Breaker”

- 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 \$110,650 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 \$2,710
- Also available to renters
- Complete state tax form M-1PR (www.revenue.state.mn.us)

Minnesota Special Property Tax Refund

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)

Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on their home
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps

1

Board will accept public
comments on proposed levy

2

Board will certify 2019
property tax levy



Public Comments