

White Bear Lake Area Schools, ISD 624

Public Hearing for
Taxes Payable in 2021

DECEMBER 14, 2020

PRESENTED BY:

TIM WALD,

ASSISTANT SUPERINTENDENT FOR
FINANCE & OPERATIONS



Minnesota State Law Requires:

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

- 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

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 in November)

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

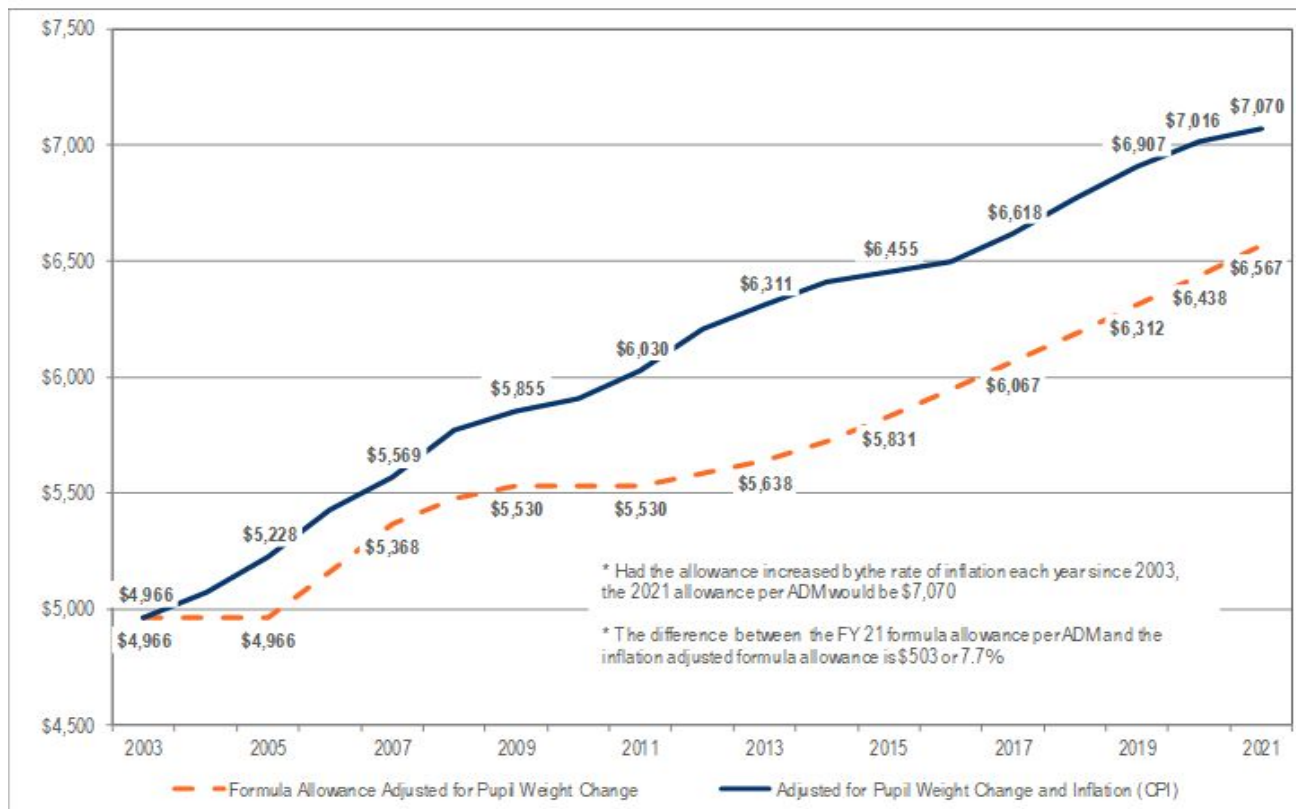
Challenge: State Set Basic General Education Formula Lags Inflation

- 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

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

- 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

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
- 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

Budget Information

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
- Custodial
- Internal Service*
- OPEB Trust
- OPEB Debt Service

* Annual budget is not prepared for this fund

White Bear Lake Area Schools, ISD 624

District Revenues and Expenditures

Actual for FY 2020, Budget for FY 2021

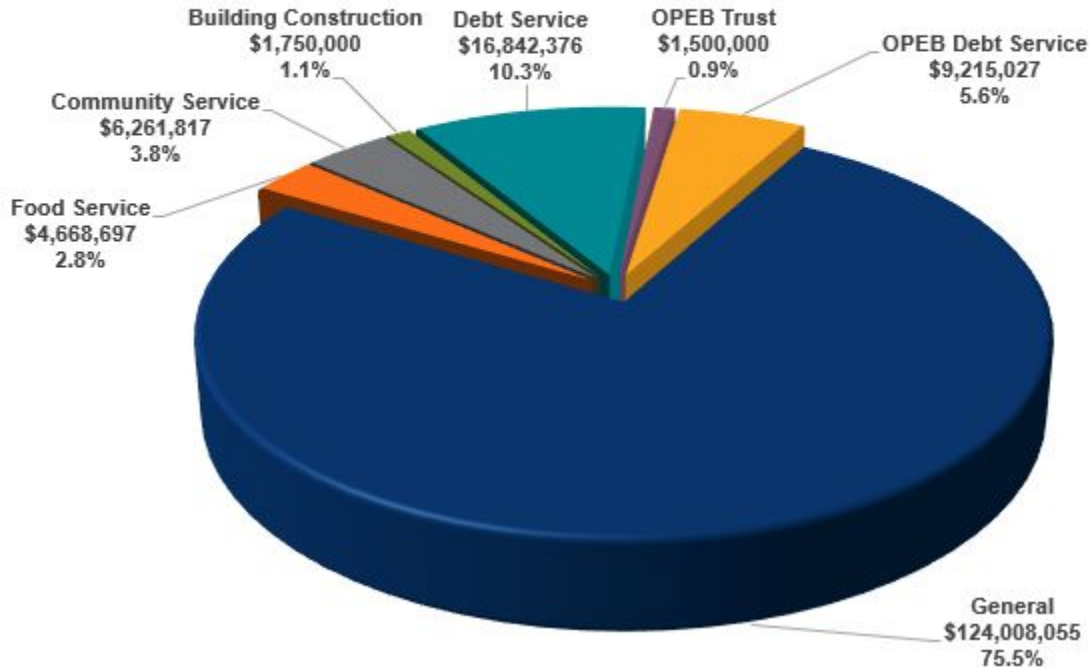
FUND	FISCAL 2020 BEGINNING	2019-20 ACTUAL	2019-20 ACTUAL	JUNE 30, 2020 ACTUAL	2020-21 BUDGET	2020-21 BUDGET	JUNE 30, 2021 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Restricted	\$3,723,893	\$19,976,364	\$17,159,712	\$6,540,545	\$17,217,955	\$19,214,297	\$4,544,203
General/Other	13,354,617	95,954,035	100,065,791	9,242,861	106,790,100	104,465,208	11,567,753
Food Service	746,910	3,982,048	4,148,747	580,211	4,668,697	4,699,251	549,657
Community Service	1,221,426	6,390,645	6,908,654	703,417	6,261,817	6,409,756	555,478
Building Construction	12,556,918	268,229,640	19,472,015	261,314,543	1,750,000	51,941,235	211,123,308
Debt Service	1,143,897	5,145,708	5,184,329	1,105,276	16,842,376	14,595,266	3,352,386
Trust	172,055	174,201	126,094	220,162	150,000	150,000	220,162
Internal Service	358,940	-	-	1,759,364	-	-	1,759,364
OPEB* Irrevocable Trust	33,046,282	2,102,780	1,250,051	33,899,011	1,500,000	1,500,000	33,899,011
OPEB* Debt Service	1,518,261	9,934,927	9,628,725	1,824,463	9,215,027	9,145,500	1,893,990
Total All Funds	\$67,843,199	\$411,890,348	\$163,944,118	\$317,189,853	\$164,395,972	\$212,120,513	\$269,465,312

*Other Post Employment Benefits

White Bear Lake Area Schools, ISD 624

Revenue - All Funds

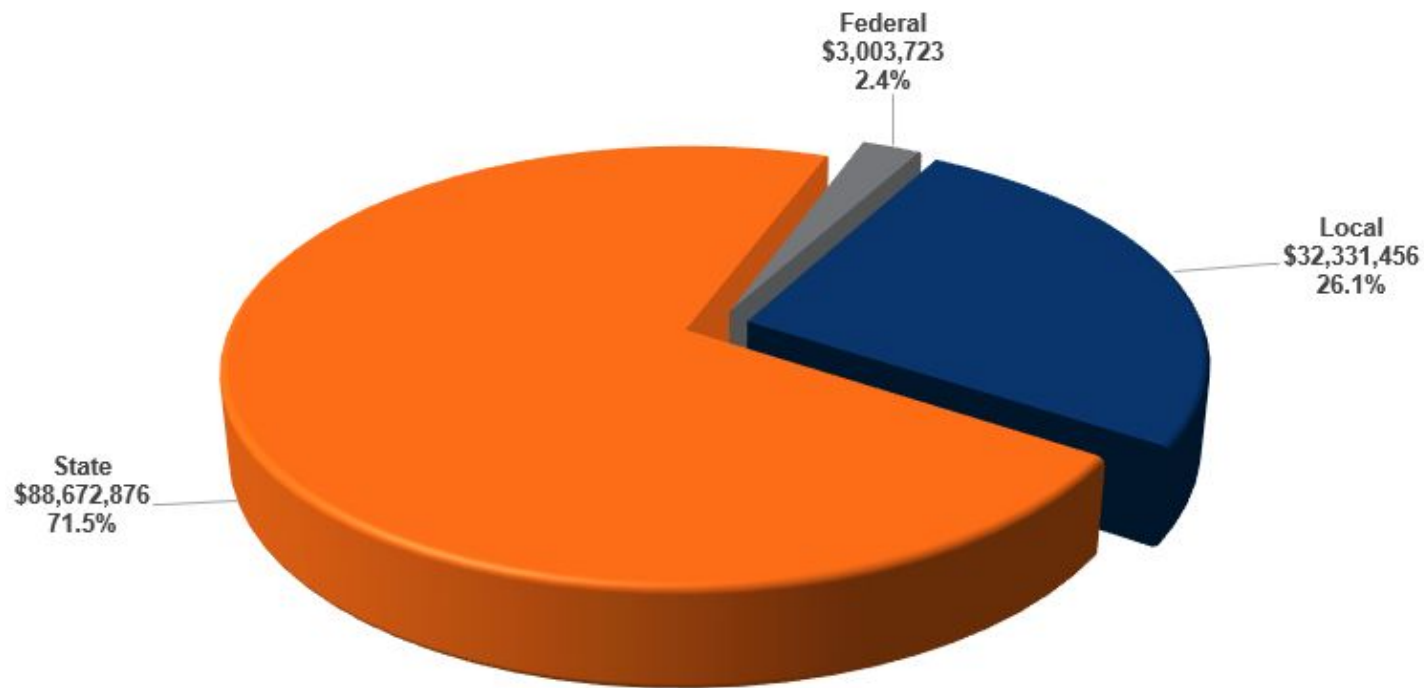
2020-21 Budget \$164,245,972



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General Fund Revenue

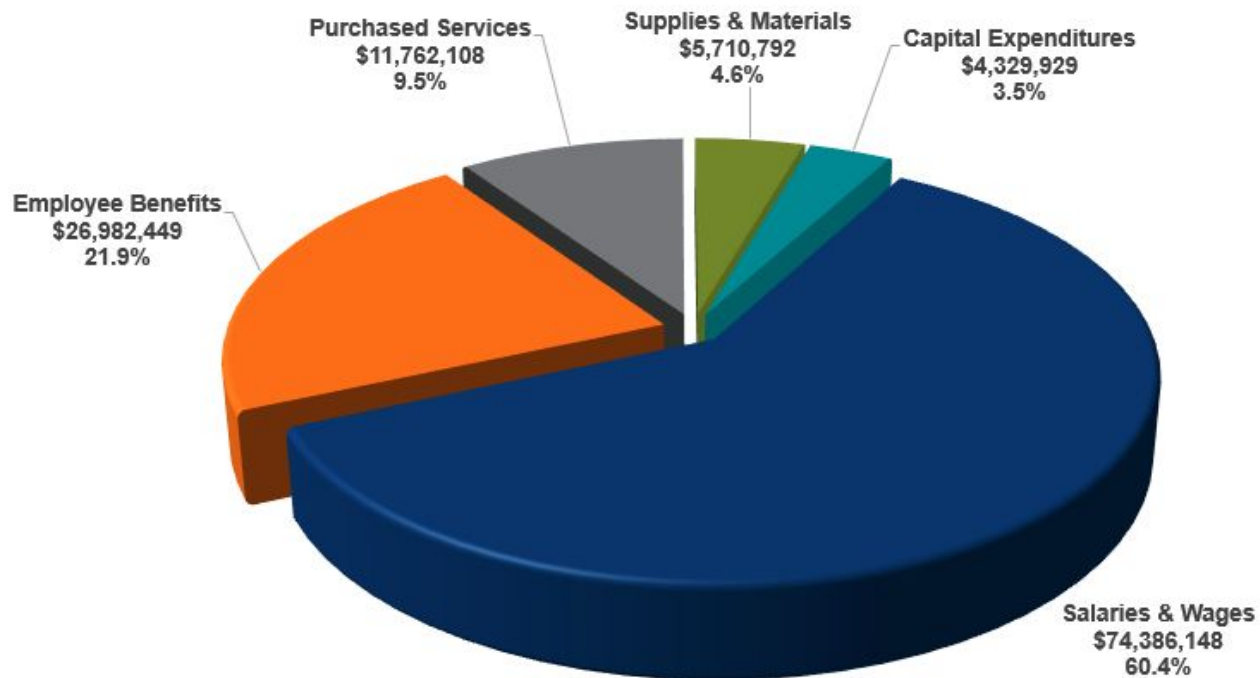
2020-21 Budget \$124,008,055



White Bear Lake Area Schools, ISD 624

General Fund Expenditures by Object

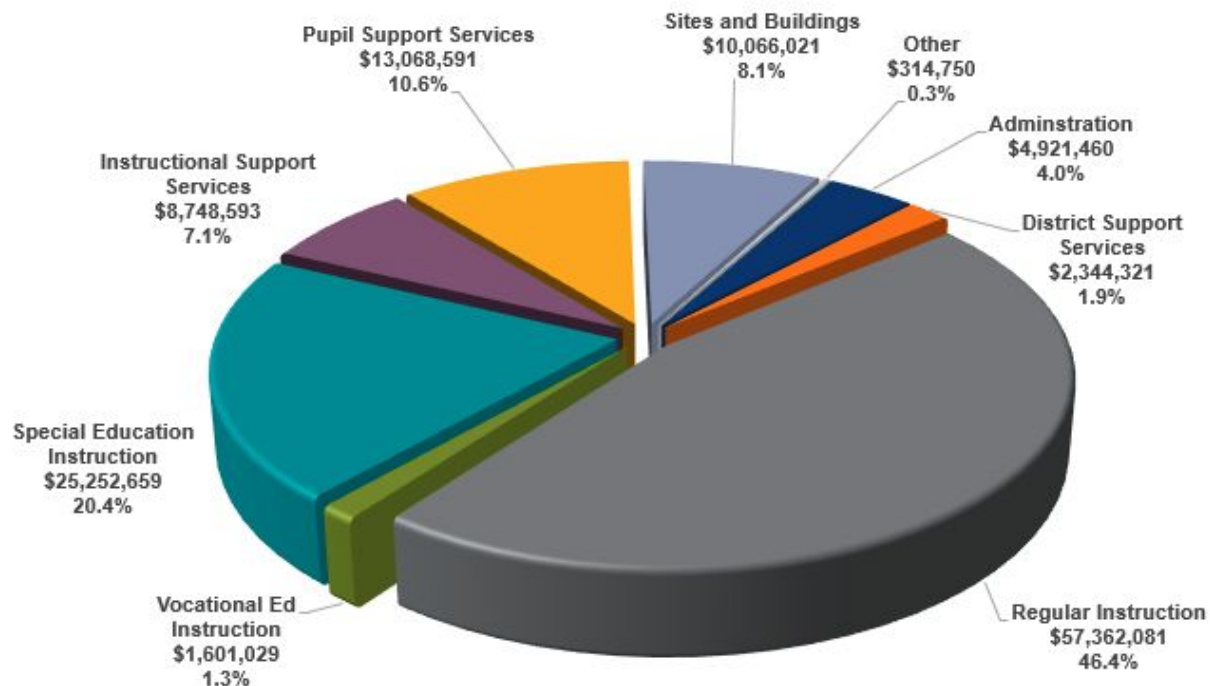
2020-21 Budget \$123,679,505



White Bear Lake Area Schools, ISD 624

General Fund Expenditures by Program

2020-21 Budget \$123,679,505



Payable 2021 Property Tax Levy

- Determination of levy
- Comparison of 2020 to 2021 levies
- 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

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.R.1 Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:

Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2021

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2020	2021
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res N/Homld	Res Homld
PROPOSED TAX			
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
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	\$418.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7894	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	\$280.35 \$340.11	\$296.08 \$374.00
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.			
Metro Special Taxing Districts Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St	\$17.76	\$18.70
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$11.02 \$11.22
Total excluding any special assessments		\$1,422.82	\$1,596.46 9.8%

School District Property Taxes

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

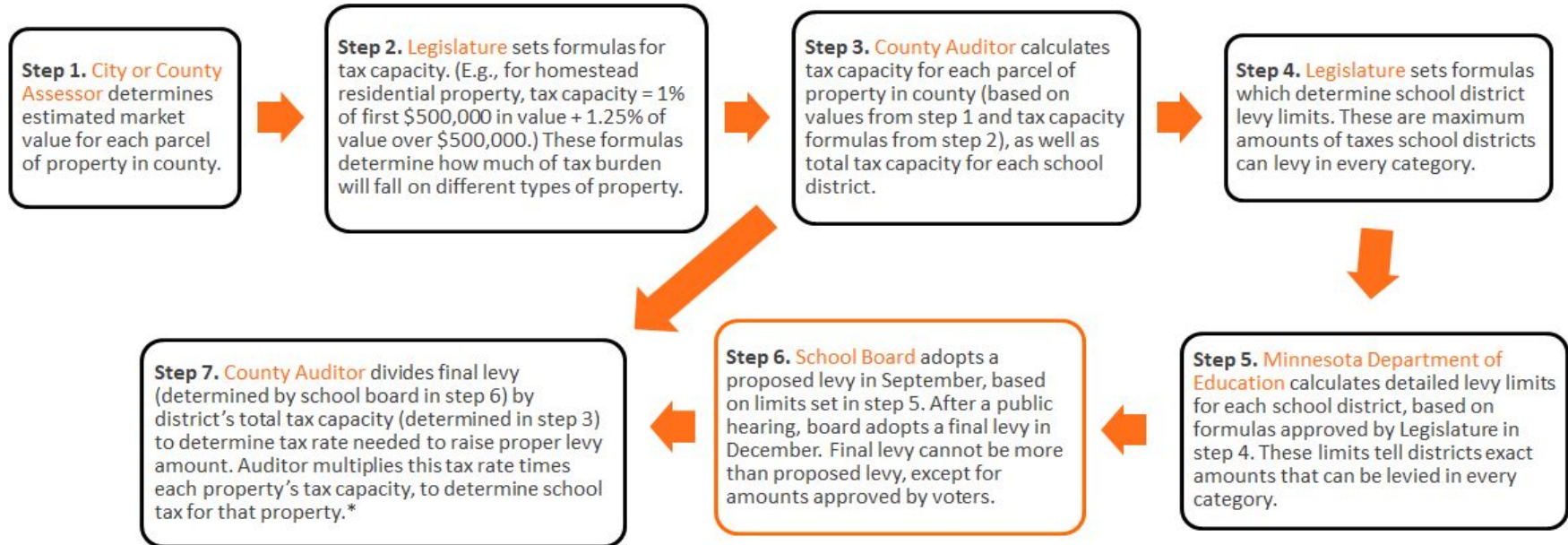
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

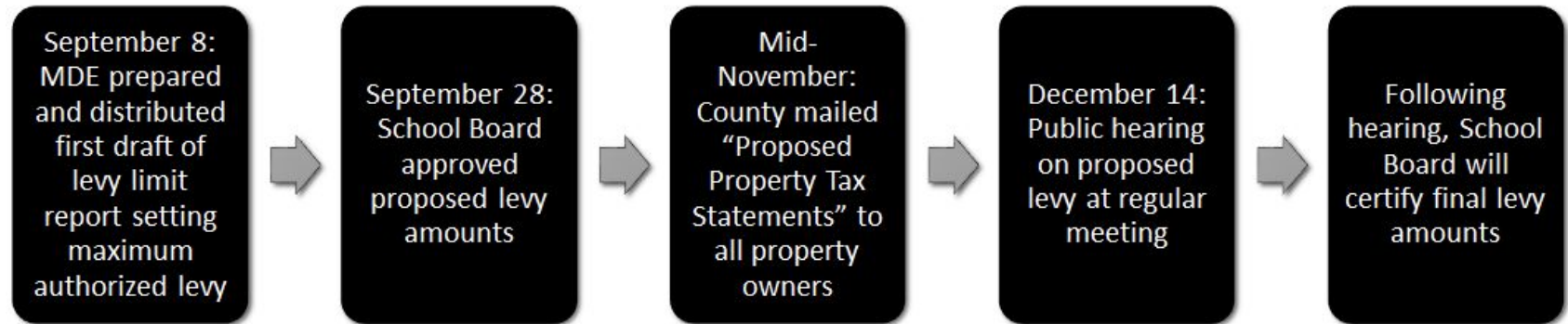
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

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



Overview of Proposed Levy Payable in 2021

- Proposed property tax levy for 2021 is an increase from 2020 of \$1,093,289 or 1.96%
 - Includes decrease of \$220,655 from proposed levy approved by School Board in September, because District refinanced existing bonds
- Reasons for major increases and decreases in levy are included on following slides

White Bear Lake Public School District, ISD 624

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
General				
Voter Approved Operating Referendum	\$12,487,495	\$11,791,958	(\$695,537)	
Local Optional Revenue (LOR)	6,864,268	6,583,493	(280,775)	
Equity	966,252	897,550	(68,702)	
Capital Project - Technology Referendum	1,998,489	2,138,058	139,569	
Operating Capital	919,111	992,282	73,171	
Safe Schools	354,859	467,629	112,770	
Long Term Facilities Maintenance	712,796	6,887,059	6,174,262	
Instructional Lease	1,895,242	1,923,978	28,736	
Other	1,463,979	774,762	(689,217)	
Prior Year Adjustments	1,076,465	(601,056)	(1,677,521)	
Total, General Fund	\$28,738,956	\$31,855,713	\$3,116,756	10.8%
Community Service				
Basic Community Education	\$470,732	\$470,732	\$0	
Early Childhood Family Education	259,230	261,343	2,112	
School-Age Child Care	350,000	375,000	25,000	
Other	12,872	14,251	1,379	
Prior Year Adjustments	5,192	14,109	8,917	
Total, Community Service Fund	\$1,098,027	\$1,135,435	\$37,408	3.4%
Debt Service				
Voter Approved	\$11,946,645	\$18,778,282	\$6,831,637	
Long-Term Facility Maintenance	4,875,783	5,160,905	285,122	
Other Post Employment Benefits	9,602,775	0	(9,602,775)	
Reduction for Debt Excess	(418,883)	(936,341)	(517,458)	
Prior Year Adjustments	51,082	993,681	942,599	
Total, Debt Service Fund	\$26,057,403	\$23,996,527	(\$2,060,875)	-7.9%
Total Levy, All Funds	\$55,894,386	\$56,987,674	\$1,093,289	2.0%
Subtotal by Truth in Taxation Categories:				
Voter Approved	27,099,171	32,081,438	4,982,268	
Other	28,795,215	24,906,236	(3,888,979)	
Total	\$55,894,386	\$56,987,674	\$1,093,289	2.0%

Explanation of Levy Changes

Categories: Voter Approved Operating Referendum

Changes: -\$695,537

Use of Funds: General Operating Expenses

Reason for Changes:

- Revenue based on number of students in district which decreased from prior year estimates
- No change in authorized levy per pupil for voter approved amount

Explanation of Levy Changes

Categories: General Fund - Prior Year Adjustments

Changes: -\$1,677,521

Use of Funds: General Operating Expenses

Reason for Changes:

- 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
- Adjustments in several categories for taxes payable in 2021 are large negative amounts, while the adjustments for taxes payable in 2020 were large positive amounts

Explanation of Levy Changes

Categories: General and Debt Service Funds - Long Term Facility Maintenance (LTFM) and Debt Service Fund - Voter Approved and Other Post Employment Benefits (OPEB)

Changes: +\$6,174,262 (General Fund LTFM), +\$6,831,637 (Debt Service Fund Voter Approved), and -\$9,602,775 (Debt Service Fund OPEB)

Use of Funds: Facilities Maintenance and Required Payments on Bonds

Reason for Changes:

- District is eligible for LTFM revenue based on state-approved project costs, financed through a combination of annual General Fund levies, state aid and bond issues
- Levies are coordinated with other capital and debt levies to maintain a level tax rate
- Final payments on OPEB bond issue is due February 1, 2021, so final debt service levy for that issue was included with taxes payable in 2020

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

- The following slides show examples of changes in school district portion of property taxes from 2018 to 2021
- Examples include school district taxes only
- All examples are based on a 14.1% 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

- Examples are for property in City of White Bear Lake
- 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

White Bear Lake Area Public Schools, ISD 624

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 14.1% 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	\$131,447	\$544	\$136,705	\$609	\$143,541	\$760	\$150,000	\$737	\$193	-\$23
	175,263	755	182,274	845	191,388	1,059	200,000	1,028	273	-31
	219,079	965	227,842	1,080	239,234	1,358	250,000	1,320	355	-38
	240,987	1,071	250,627	1,198	263,158	1,507	275,000	1,466	395	-41
	306,711	1,387	318,979	1,551	334,928	1,955	350,000	1,903	516	-52
	350,527	1,598	364,548	1,786	382,775	2,254	400,000	2,195	597	-59
	394,342	1,808	410,116	2,022	430,622	2,548	450,000	2,474	666	-74
	438,158	2,014	455,685	2,247	478,469	2,831	500,000	2,749	735	-82
	481,974	2,215	501,253	2,473	526,316	3,138	550,000	3,070	855	-68
	525,790	2,432	546,822	2,728	574,163	3,465	600,000	3,391	959	-74
Commercial/ Industrial #	\$131,447	\$599	\$136,705	\$661	\$143,541	\$814	\$150,000	\$812	\$213	-\$2
	438,158	2,220	455,685	2,460	478,469	3,087	500,000	3,128	908	41
	876,317	4,557	911,369	5,046	956,938	6,346	1,000,000	6,436	1,879	90
	1,314,475	6,893	1,367,054	7,632	1,435,407	9,605	1,500,000	9,744	2,851	139
	1,752,633	9,230	1,822,739	10,218	1,913,876	12,864	2,000,000	13,052	3,822	188
Apartments and Res. Non-Homestead (2 or more units)	\$657,237	\$3,410	\$683,527	\$3,817	\$717,703	\$4,906	\$750,000	\$4,816	\$1,406	-\$90
	876,317	4,547	911,369	5,089	956,938	6,541	1,000,000	6,422	1,875	-119
	1,752,633	9,094	1,822,739	10,178	1,913,876	13,082	2,000,000	12,844	3,750	-238

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 Note

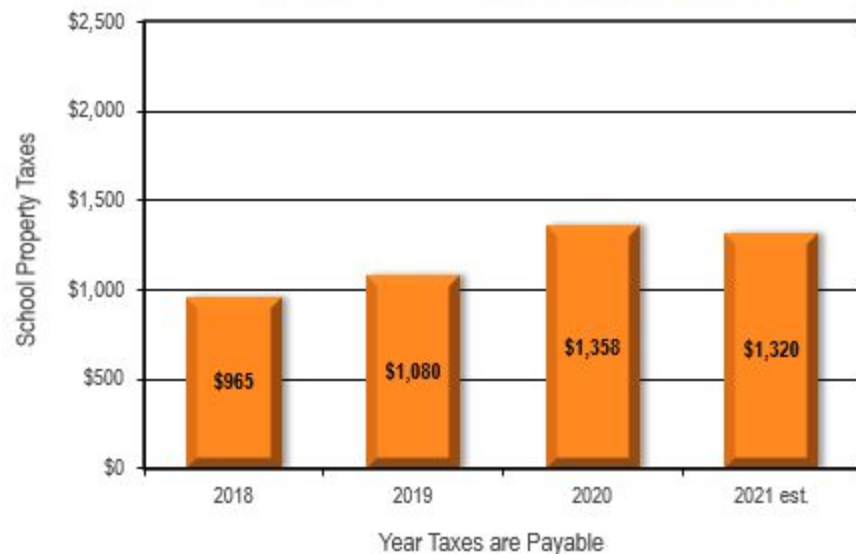
1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 4.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

White Bear Lake Area Public Schools, ISD 624

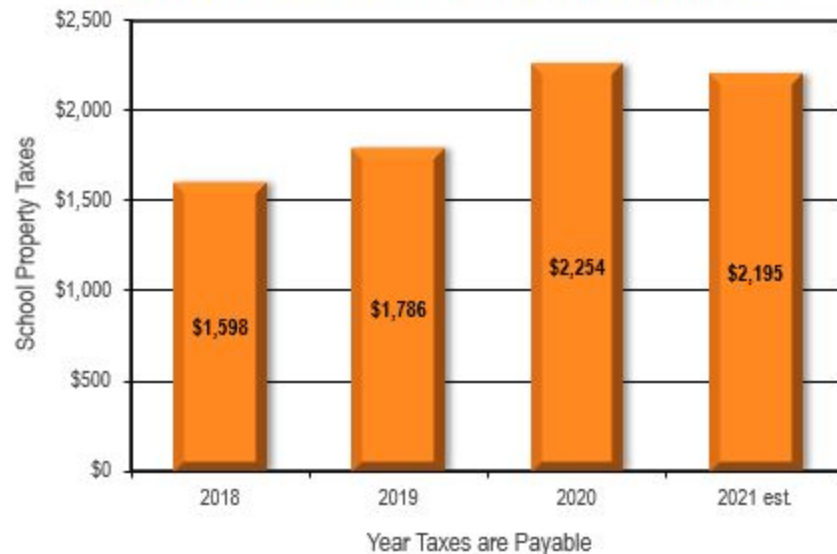
Estimated Changes in School Property Taxes, 2018 to 2021

Based on 14.1% Cumulative Changes in Property Value from 2018 to 2021 Taxes

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



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



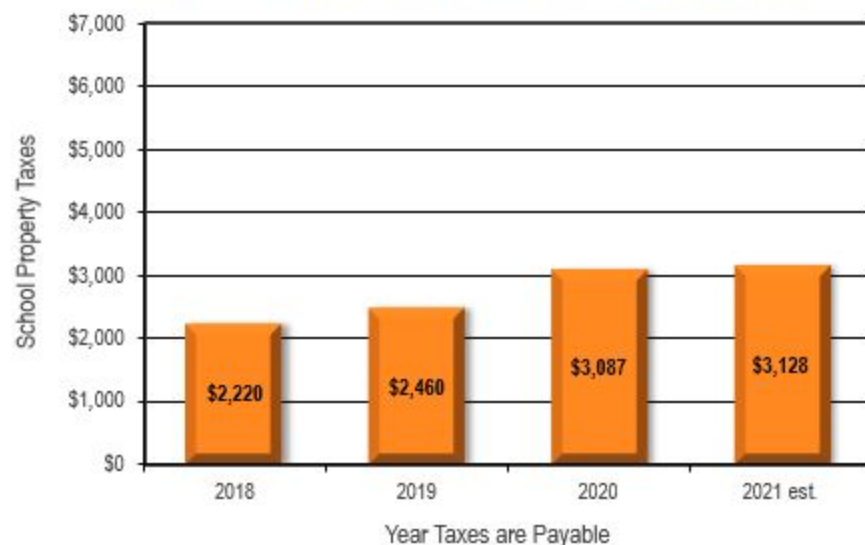
* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 4.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

White Bear Lake Area Public Schools, ISD 624

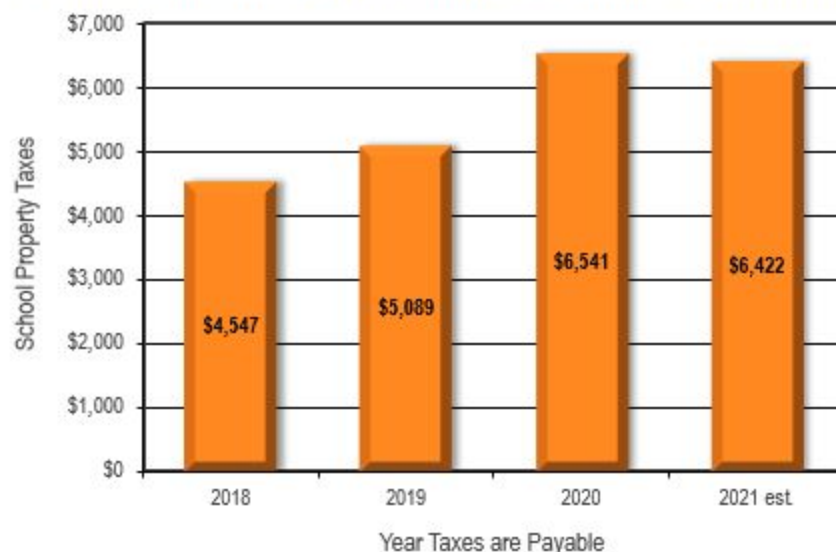
Estimated Changes in School Property Taxes, 2018 to 2021

Based on 14.1% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Example 3: \$500,000* Commercial-Industrial Property



Example 4: \$1,000,000* Apartment - Non Residential Homestead Property



* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 4.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.5% from 2020 to 2021.

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 \$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)

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 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

1

Board will accept public
comments on proposed levy

2

Board will certify 2021
property tax levy



PUBLIC COMMENTS