



# Inver Grove Heights Schools

Public Hearing for Taxes Payable in 2018

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DECEMBER 11, 2017

PRESENTED BY: HEATHER AUNE, DIRECTOR OF BUSINESS SERVICES

# Tax Hearing Presentation

## State Law Requires Public Meeting:

- Between November 24<sup>th</sup> and December 28<sup>th</sup>
- 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

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1. Background on School Funding, Property Tax Levies, and Budgets
2. Information on District Budget
3. Information on District's Proposed Tax Levy for Taxes Payable in 2018
4. Public Comments

# Public Schools Established by Minnesota Constitution


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## 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.”

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# As a result...

## School funding is highly regulated by the state

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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)

State also authorizes School Board to submit referendums for operating and capital needs to voters for approval

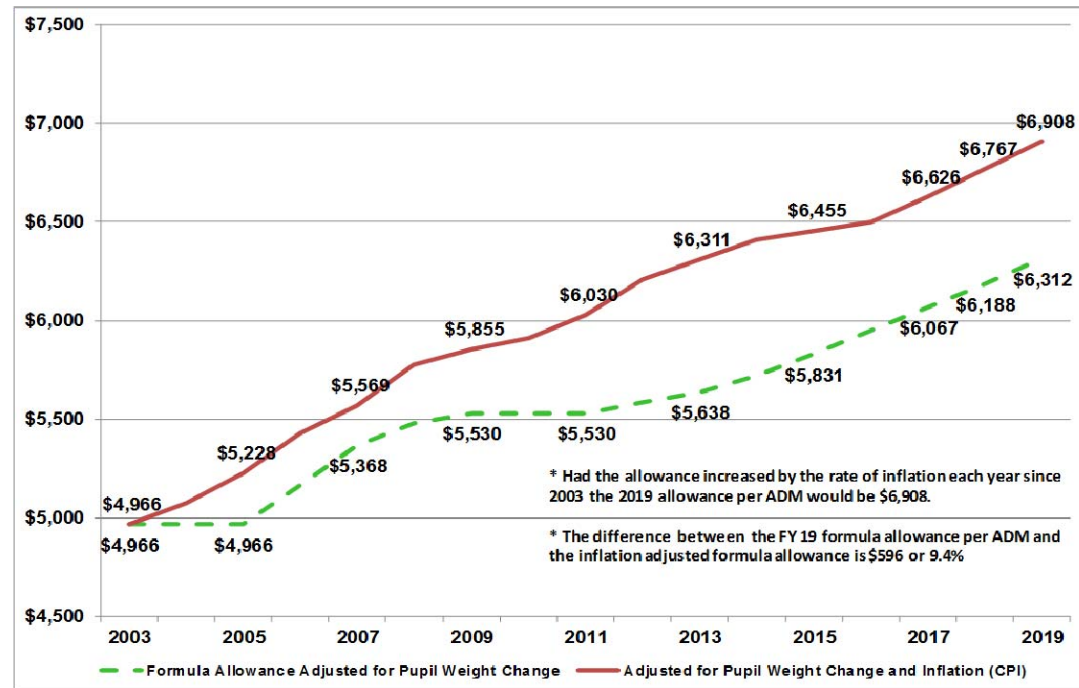
# Challenge: State Set Basic General Education Formula Lags Inflation

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- Since 2002-03, State General Education Revenue formula has not kept pace with inflation
- For Fiscal Years 2017-18 and 2018-19, Legislature approved an increase of 2% per year
  - \$121 per pupil unit for Fiscal Year 2017-18
  - An additional \$124 for Fiscal Year 2018-19
- Per-pupil allowance for Fiscal Year 2018-19 would need to increase by another \$596 (9.4%) 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: MIDE January 2017 Inflation Estimates

# Underfunding of Special Education

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- MDE reports 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

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- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2017-18, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,296 per pupil
  - 20.5% of general education formula allowance
  - Of this amount, \$879 is board approved or voter approved operating referendum, and \$417 is Local Optional Revenue

# Change in Tax Levy Does not Determine Change in Budget

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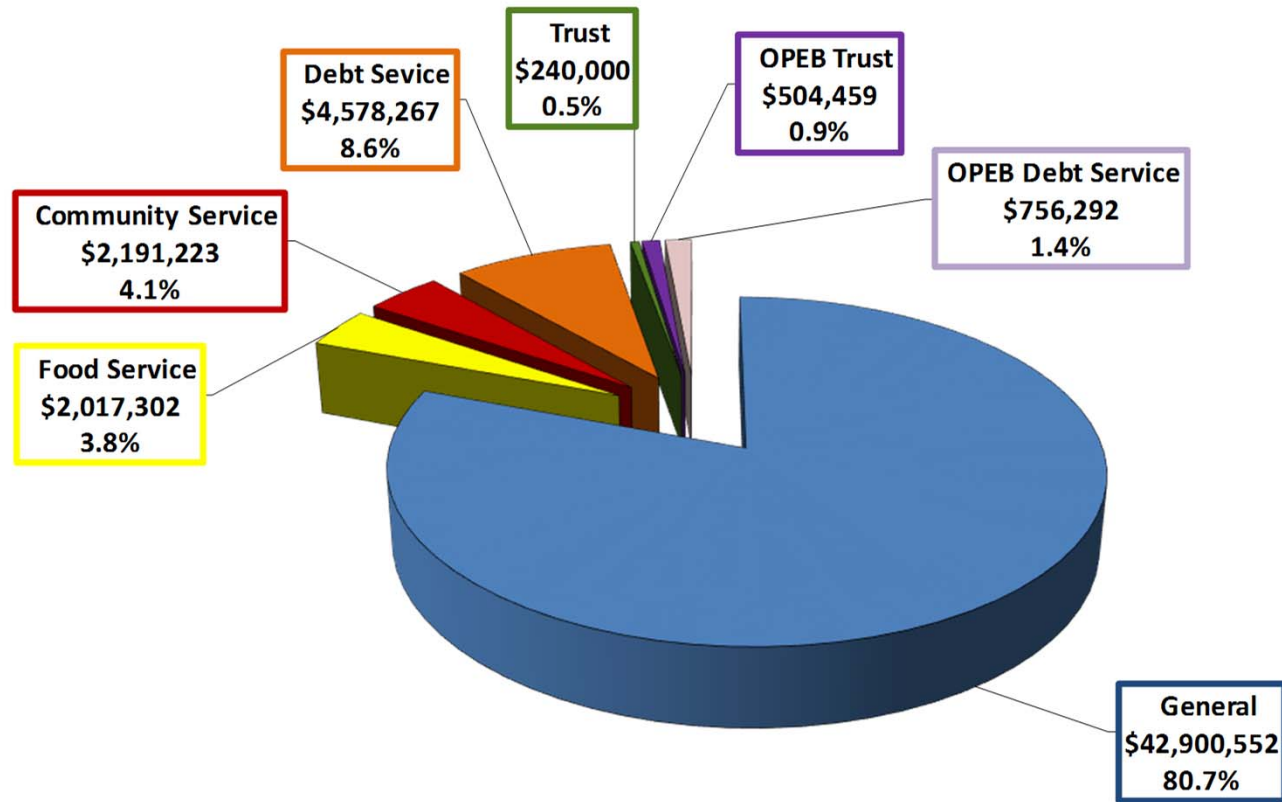
- Tax levy is based on many state-determined formulas plus voter approved referendums
  - Some increases in tax levies are revenue neutral, offset by reductions in state aid
  - *Expenditure budget is limited* by state-set revenue formulas, voter-approved levies, and fund balance
  - An increase in school taxes does not always correlate to an equal increase in budget
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**Inver Grove Heights Schools  
District Revenues and Expenditures  
Actual for FY 2017, Budget for FY 2018**

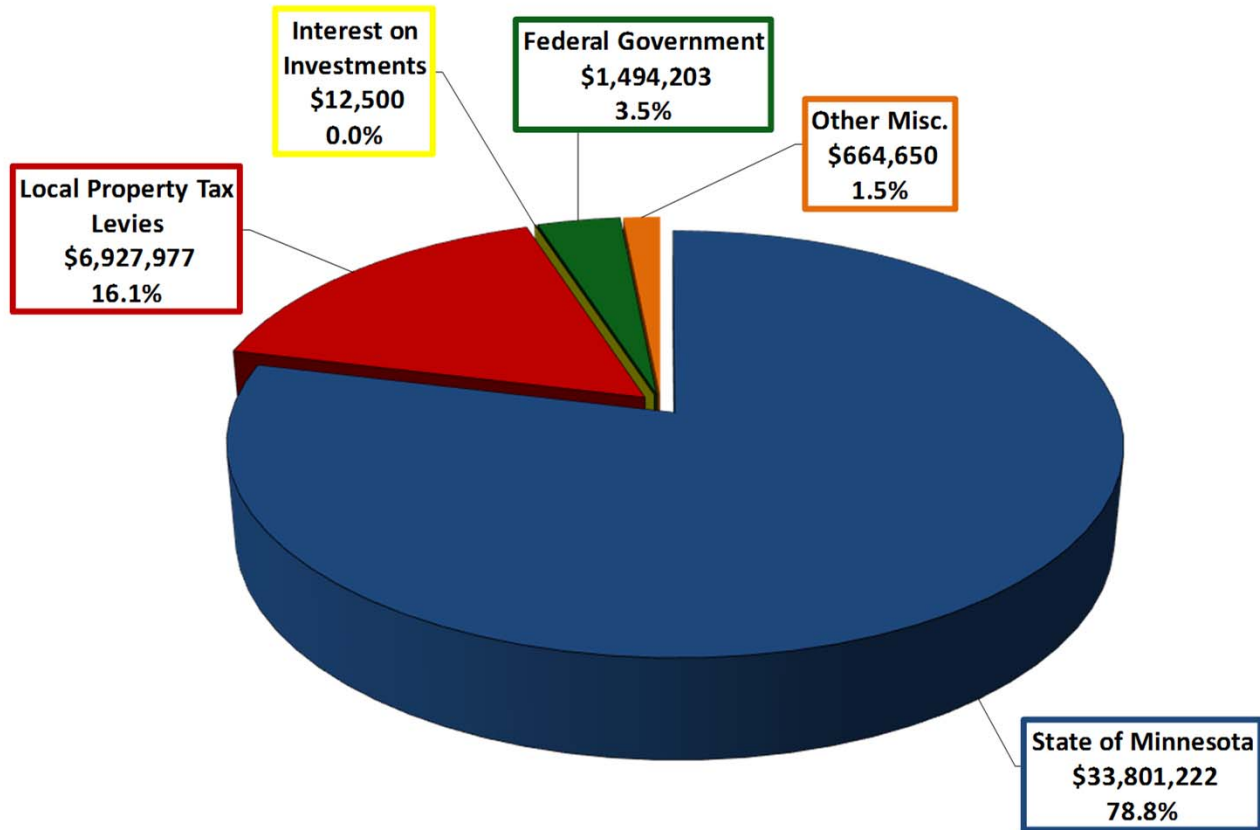
<b>FUND</b>	<b>FISCAL 2017 BEGINNING FUND BALANCES</b>	<b>2016-17 ACTUAL REVENUES AND TRANSFERS IN</b>	<b>2016-17 ACTUAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>JUNE 30, 2017 ACTUAL FUND BALANCE</b>	<b>2017-18 BUDGET REVENUES AND TRANSFERS IN</b>	<b>2017-18 BUDGET EXPENDITURES &amp; TRANSFERS OUT</b>	<b>JUNE 30 ,2018 PROJECTED FUND BALANCE</b>
<b>General/Restricted</b>	\$ 2,130,291	\$ 7,716,960	\$ 7,521,066	\$ 2,326,185	\$ 8,250,412	\$ 7,763,892	\$2,812,705
<b>General/Other</b>	\$ 10,414,245	\$ 35,182,977	\$ 35,553,072	\$ 10,044,150	\$ 34,650,140	\$ 36,689,198	8,005,092
<b>Food Service</b>	\$ 1,461,552	\$ 1,933,292	\$ 1,935,547	\$ 1,459,297	\$ 2,017,302	\$ 2,236,647	1,239,952
<b>Community Service</b>	\$ 274,604	\$ 2,274,645	\$ 2,024,234	\$ 525,015	\$ 2,191,223	\$ 2,124,713	591,525
<b>Building Construction</b>	\$ 1,575,783	\$ 3,980	\$ 1,579,763	\$ -	\$ -	\$ -	-
<b>Debt Service</b>	\$ 1,041,646	\$ 15,160,488	\$ 14,987,749	\$ 1,214,385	\$ 4,578,267	\$ 4,548,348	1,244,304
<b>Trust</b>	\$ 19,106	\$ 179,764	\$ 181,315	\$ 17,556	\$ 240,000	\$ 240,000	17,556
<b>Internal Service</b>	\$ 322,403			\$ 338,032			-
<b>OPEB* Revocable Trust</b>	\$ 9,378,476	\$ 1,193,278	\$ 1,027,803	\$ 9,543,951	\$ 504,459	\$ 505,421	9,542,989
<b>OPEB* Debt Service</b>	\$ 145,542	\$ 10,516,295	\$ 10,506,547	\$ 155,290	\$ 756,292	\$ 754,860	156,722
<b>Total All Funds</b>	\$26,763,649	\$74,161,679	\$75,317,095	\$25,623,861	\$53,188,095	\$54,863,079	\$23,610,845

\*Other Post-Employment Benefits

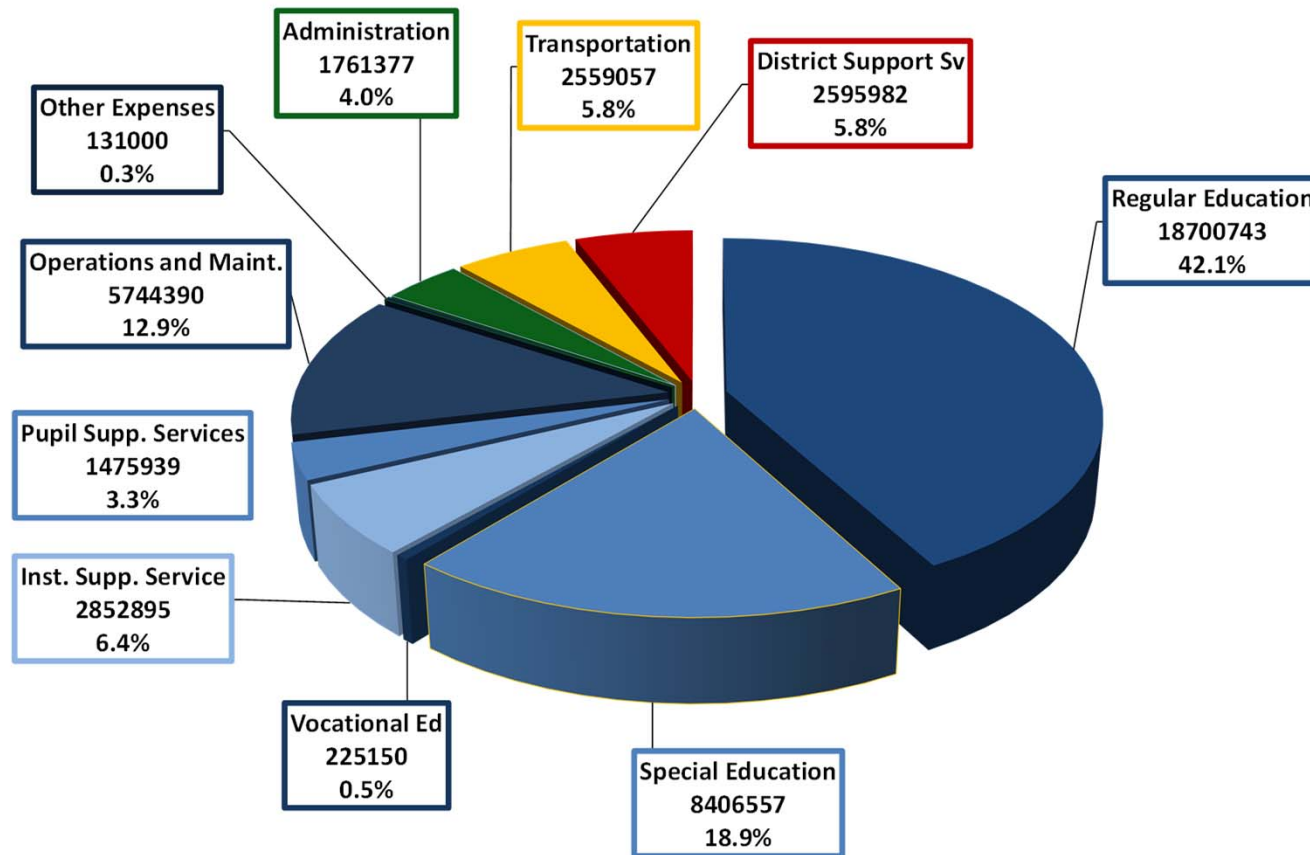
**Inver Grove Heights Schools  
Revenue - All Funds  
2017-18 Budget \$53,188,095**



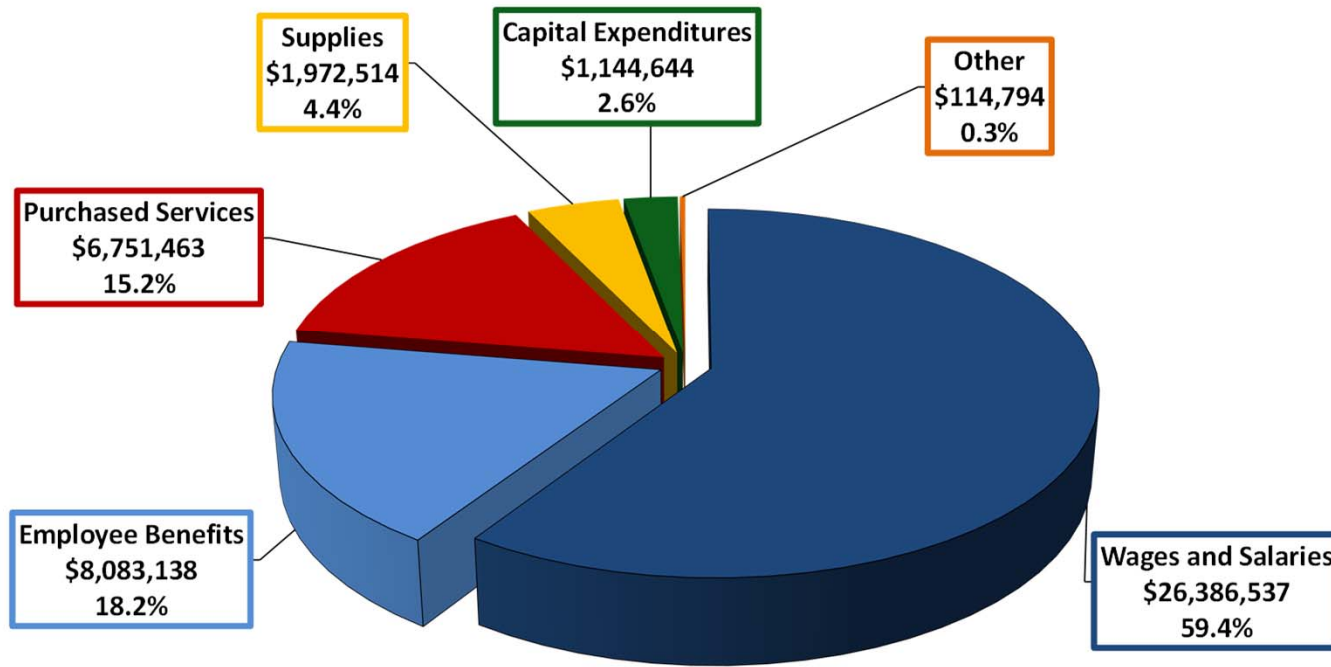
**Inver Grove Heights Schools  
General Fund Revenue  
2017-18 Budget \$42,900,552**



**Inver Grove Heights Schools  
General Fund Expenditures by Program  
2017-18 Budget \$44,453,090**




**Inver Grove Heights Schools  
General Fund Expenditure by Object  
2017-18 Budget \$44,453,090**



# 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
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PROPERTY TAXATION & RECORDS  
ADMINISTRATION CENTER  
1590 HIGHWAY 55  
HASTINGS, MINNESOTA 55033-2392  
www.dakotacounty.us

## PROPOSED TAXES 2018

— This is Not a Bill • Do Not Pay —

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### VALUES AND CLASSIFICATION

Taxes Payable Year	2017	2018
Estimated Market Value:	213,400	236,800
Homestead Exclusion:	18,034	15,928
Other Excl/Deferrals:	0	0
Taxable Market Value:	195,366	220,872
Property Classification:	RES0 HSTD	RES0 HSTD

Property ID: 00-00000-00-000

TAXPAYER(S):

ISD 199 Resident  
000 BABCOCK  
INVER GROVE MN 55077-1308

Rectangular Snip

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### PROPOSED TAX

Property Taxes Before Credits:	\$ 2,678.58
School Building Bond Credit:	
Agricultural Market Value Credit:	
Other Credits:	
Property Taxes After Credits:	\$ 2,678.58

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3

### PROPERTY TAX STATEMENT

• Coming in 2018 •

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 2017	Proposed 2018
<b>STATE GENERAL TAX</b>	NO PUBLIC MEETING	\$ .00	\$ .00
<b>DAKOTA COUNTY</b>		553.88	586.96
DAKOTA COUNTY ADMINISTRATION 1590 HIGHWAY 55 HASTINGS MN 55033 WWW.DAKOTACOUNTY.US 651-438-4578	NOV 28, 2017-6:00 PM ADMINISTRATION CENTER COUNTY BOARDROOM 1590 HIGHWAY 55 HASTINGS MN 55033		
<b>INVER GROVE HEIGHTS</b>		1,009.12	1,144.08
KRISTI SMITH - FINANCE DIRECTOR 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077 651-430-2300	DEC 11, 2017-7:00 PM INVER GROVE HEIGHTS CITY HALL 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077		
<b>SCH DIST 199</b>			
HEATHER AUNE, DIR OF BUSINESS SVCS 2990 80TH ST E INVER GROVE HEIGHTS MN 55076 AUNEH@ISD199.ORG 651-306-7807	DEC 11, 2017-6:00 PM ISD 199 DISTRICT OFFICE 2990 80TH ST E INVER GROVE HEIGHTS MN 55076		
VOTER APPROVED LEVIES		394.64	413.40
OTHER LOCAL LEVIES		465.64	449.24
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 voter approved property tax for 2018 may be higher than the proposed amount shown on this notice.			
<b>METRO SPECIAL TAXING DISTRICTS</b>		50.18	52.26
METROPOLITAN COUNCIL 390 ROBERT ST N ST PAUL MN 55101-1805 651-602-1446	DEC 13, 2017-6:00 PM METROPOLITAN COUNCIL CHAMBERS 390 ROBERT ST N ST PAUL MN 55101-1805		
<b>OTHER SPECIAL TAXING DISTRICTS</b>		30.26	32.64
<b>TAX INCREMENT TAX</b>	NO PUBLIC MEETING	.00	.00
<b>FISCAL DISPARITY TAX</b>	NO PUBLIC MEETING	.00	.00
<b>TOTALS</b> (Excluding Special Assessments)		\$ 2,593.72	\$ 2,678.58 7.0%

See Reverse Side for Important Information

# Overview of Proposed Levy Payable in 2018

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- Total 2018 proposed property tax levy is an increase from 2017 of \$1,486,818, or 11.6%
  - Includes \$1,662,794 increase from proposed levy approved by School Board in September, due to referendum questions approved by the voters in election held on November 7th
  - State law requires that we explain the reasons for the major changes in levy
  - Some decreases in specific levies will also be explained
- 

## Inver Grove Heights Schools

### Comparison of Proposed Tax Levy Payable in 2018 to Actual Levy Payable in 2017

<b>Fund</b>	<b>Levy Category</b>	<b>Actual Levy Payable in 2017</b>	<b>Proposed Levy Payable in 2018</b>	<b>\$ Change</b>	<b>% Change</b>
<b>General Fund</b>					
	Voter Approved Referendum	\$1,931,289	\$3,047,080	\$1,115,791	
	Local Optional Revenue	1,790,637	1,799,448	8,811	
	Equity	633,638	578,826	(54,813)	
	Capital Project Referendum	-	638,000	638,000	
	Operating Capital	335,424	295,249	(40,175)	
	Achievement and Integration	200,044	195,024	(5,020)	
	Long Term Facilities Maintenance	1,092,629	1,405,930	313,301	
	Instructional Lease	625,158	663,052	37,894	
	Other	325,845	282,880	(42,965)	
	Adjustments for Prior Years	306,921	37,554	(269,367)	
	<b>Total, General Fund</b>	<b>\$7,241,585</b>	<b>\$8,943,042</b>	<b>\$1,701,457</b>	<b>23.5%</b>
<b>Community Service Fund</b>					
	Basic Community Education	\$211,823	\$211,823	\$0	
	Early Childhood Family Education	97,627	98,978	1,351	
	School-Age Child Care	129,725	129,725	0	
	Other	2,252	2,346	94	
	Adjustments for Prior Years	9,635	(2,630)	(12,265)	
	<b>Total, Community Service Fund</b>	<b>\$451,061</b>	<b>\$440,242</b>	<b>(\$10,819)</b>	<b>-2.4%</b>
<b>Debt Service Funds</b>					
	Voter Approved	\$4,182,190	\$4,165,915	(\$16,275)	
	LT Facility Maintenance	475,177	484,668	9,491	
	Other Post Employment Benefits	787,831	570,586	(217,245)	
	Reduction for Debt Excess	(357,429)	(316,069)	41,359	
	Adjustments for Prior Years	21,413	264	(21,149)	
	<b>Total, Debt Service Fund</b>	<b>\$5,109,183</b>	<b>\$4,905,364</b>	<b>(\$203,819)</b>	<b>-4.0%</b>
<b>Total Levy, All Funds</b>		<b>\$12,801,829</b>	<b>\$14,288,647</b>	<b>\$1,486,818</b>	<b>11.6%</b>
<b>Subtotal by Truth in Taxation Categories:</b>					
	Voter Approved Levies	\$5,875,094	\$7,782,890	\$1,907,796	
	Other Levies	<u>\$6,926,735</u>	<u>\$6,505,757</u>	<u>(\$420,978)</u>	
	<b>Total</b>	<b>\$12,801,829</b>	<b>\$14,288,647</b>	<b>\$1,486,818</b>	<b>11.6%</b>

# Explanation of Levy Changes

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Category: General Fund - Voter Approved Operating Referendum

Change: +\$1,115,791

Use of Funds: General operating expenses

Reason for Increase:

- Voters approved an increase of \$256.87 per pupil of operating referendum authority in election held on November 7<sup>th</sup> ; total authority for Fiscal Year 2018-19 is \$819.00

# Explanation of Levy Changes

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Category: General Fund - Capital Project Referendum

Change: +\$638,000

Use of Funds: General operating expenses

Reason for Increase:

- Voters approved authority in election held on November 7<sup>th</sup>

# Explanation of Levy Changes


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

Change: +\$313,301

Use of Funds: Deferred Facility Maintenance

Reason for Increase:

- New category of revenue created by legislation in 2015 (replaced previous Health & Safety and Deferred Maintenance programs); requires state-approval of projects in a ten year facility plan
  - Revenue is phasing in over 3 years (\$193 per pupil for Fiscal Year 2016-17, \$292 per pupil for Fiscal Year 2017-18, and \$380 per pupil for Fiscal Year 2018-19) and is provided through a combination of property tax levy (80%) and state aid (20%)
  - Increase partially offset by reduction in other levy categories (Student Achievement and Operating Capital)
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# Explanation of Levy Changes


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Category: General Fund – Adjustments for Prior Years

Change: -\$269,367

Use of Funds: Various

Reason for Decrease:

- 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
  - 2018 levy includes negative adjustments in several categories
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# Explanation of Levy Changes


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Category: Debt Service Fund – Other Post Employment Benefits (OPEB)

Change: -\$217,245

Use of Funds: Principal and interest payments on OPEB bonds

Reason for Decrease:


- Planned reduction due to anticipated increase in long term facilities maintenance (LTFM) levy, to maintain a level tax rate for capital and debt levies
  - Refunding done in 2016-17
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# Factors Impacting Individual Taxpayers School Taxes

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Many factors can cause the 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
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## Inver Grove Heights Schools

### Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.7% Cumulative Changes in Property Value from 2015 to 2018 Taxes

Type of Property	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	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	Estimated Taxes Payable in 2018			Change in Taxes 2015 to 2018	Change in Taxes 2017 to 2018
								Without Ballot Questions*	Approved Ballot Questions*	Total		
Residential Homestead	\$87,957	\$346	\$91,915	\$319	\$93,110	\$315	\$100,000	\$312	\$51	\$363	\$17	\$48
	131,935	585	137,872	534	139,665	526	150,000	513	80	593	8	67
	175,914	823	183,830	750	186,220	737	200,000	714	110	824	1	87
	219,892	1,061	229,787	966	232,775	948	250,000	916	139	1,055	-6	107
	263,871	1,299	275,745	1,181	279,330	1,159	300,000	1,117	168	1,285	-14	126
	307,849	1,537	321,702	1,397	325,885	1,370	350,000	1,318	198	1,516	-21	146
	351,828	1,775	367,660	1,613	372,439	1,581	400,000	1,520	227	1,747	-28	166
	439,785	2,244	459,575	2,031	465,549	1,989	500,000	1,903	285	2,188	-56	199
Commercial/ Industrial #	527,741	2,716	551,490	2,477	558,659	2,429	600,000	2,345	347	2,692	-24	263
	615,698	3,242	643,405	2,952	651,769	2,893	700,000	2,787	409	3,196	-46	303
	\$87,957	\$426	\$91,915	\$392	\$93,110	\$376	\$100,000	\$366	\$56	\$422	-\$4	\$46
	219,892	1,139	229,787	1,057	232,775	1,012	250,000	993	146	1,139	0	127
Apartments and Res. Non-Homestead ( 2 or more units)	439,785	2,440	459,575	2,257	465,549	2,155	500,000	2,100	303	2,403	-37	248
	659,677	3,741	689,362	3,457	698,324	3,298	750,000	3,208	459	3,667	-74	369
	879,569	5,042	919,150	4,658	931,099	4,441	1,000,000	4,315	615	4,930	-112	489
Apartments and Res. Non-Homestead ( 2 or more units)	\$219,892	\$1,313	\$229,787	\$1,190	\$232,775	\$1,161	\$250,000	\$1,104	\$156	\$1,260	-\$53	\$99
	879,569	5,254	919,150	4,758	931,099	4,643	1,000,000	4,417	625	5,042	-212	399
	1,759,138	10,507	1,838,299	9,517	1,862,197	9,286	2,000,000	8,835	1,248	10,083	-424	797

\* "Approved ballot questions" includes estimates of additional taxes for operating referendum increase and capital project levy approved by voters on November 7, 2017.

# For commercial-industrial property, figures 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.

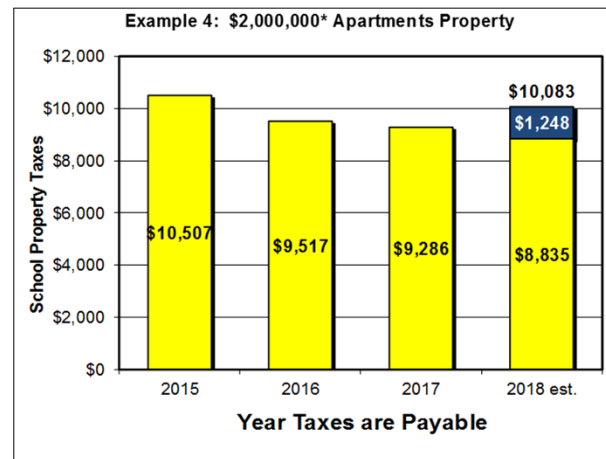
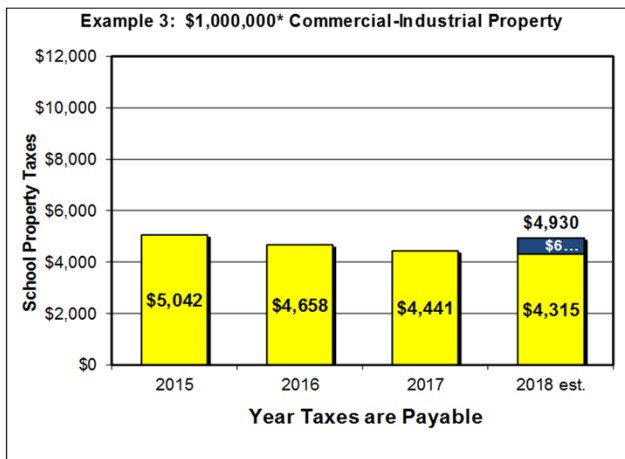
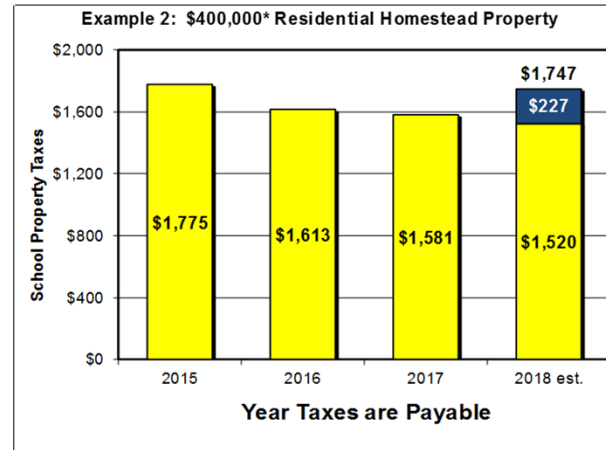
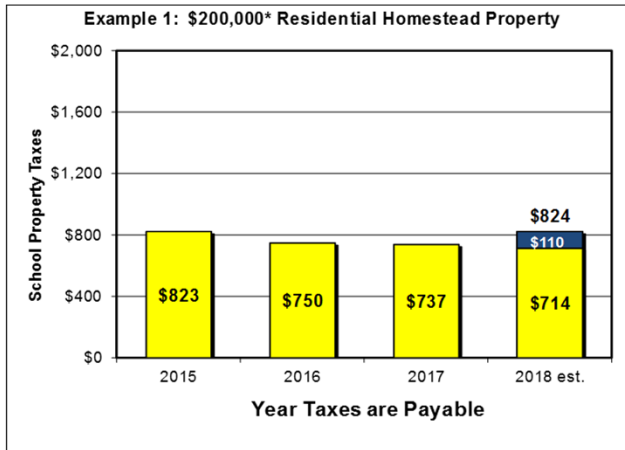
#### General Notes

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 2018 are preliminary, based on the best data available .
3. For all examples of properties, taxes are based on changes in estimated market value of 4.5% from 2015 to 2016 taxes, 1.3% from 2016 to 2017, and 7.4% from 2017 to 2018.

### Inver Grove Heights Schools

#### Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.7% Cumulative Changes in Property Value from 2015 to 2018 Taxes



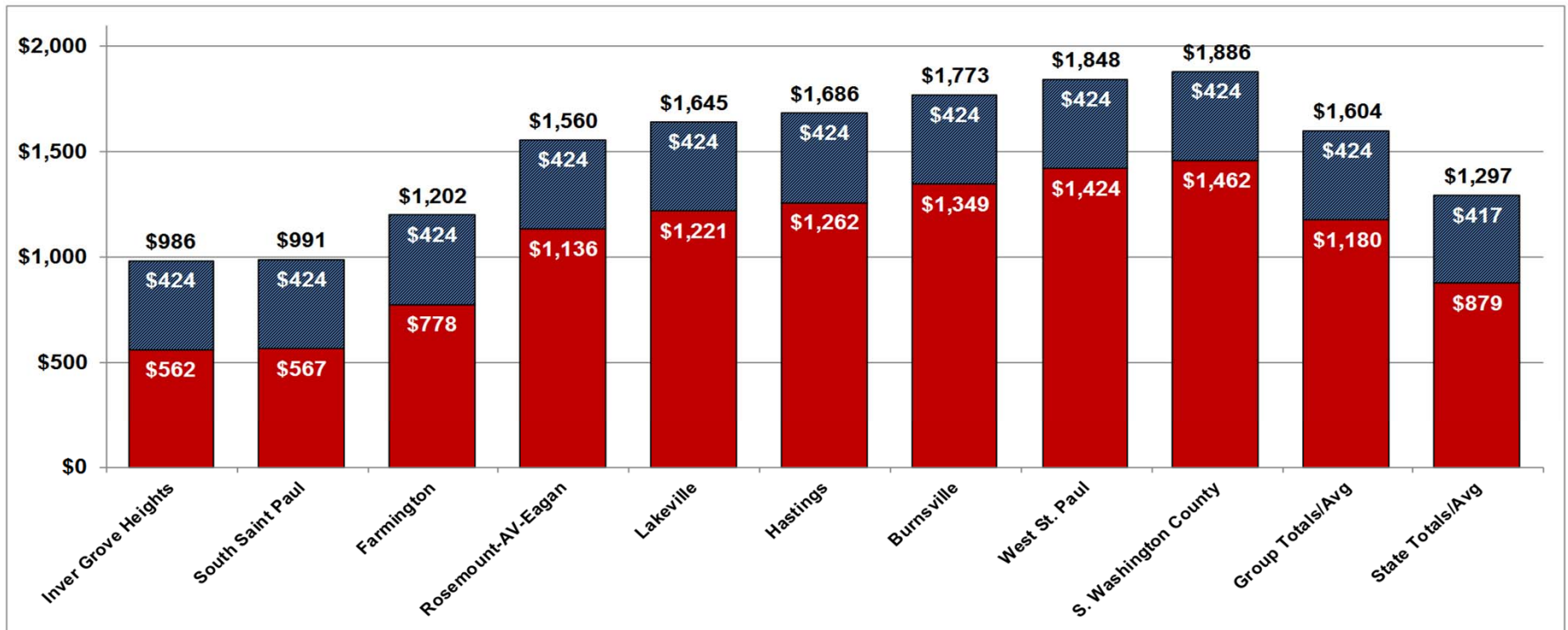
\* Value shown in title of chart is estimated market value for taxes payable in 2018. Taxes are calculated based on changes in estimated market value of 4.5% from 2015 to 2016 taxes, 1.3% from 2016 to 2017, and 7.4% from 2017 to 2018.

Note: Darker portion of 2018 bar represents estimated taxes for operating referendum increase and capital project levy approved by voters on November 7, 2017.

## Inver Grove Heights School District No 199

Voter/Board Approved Referendum Authority Per Pupil Unit FY 17-18 (Includes Local Optional Revenue)

Group Average	\$	1,603.84
Inver Grove Heights	\$	986.13
Variance	\$	(617.71)



**Voter and/or Board Approved Referendum**

**Local Optional Revenue**

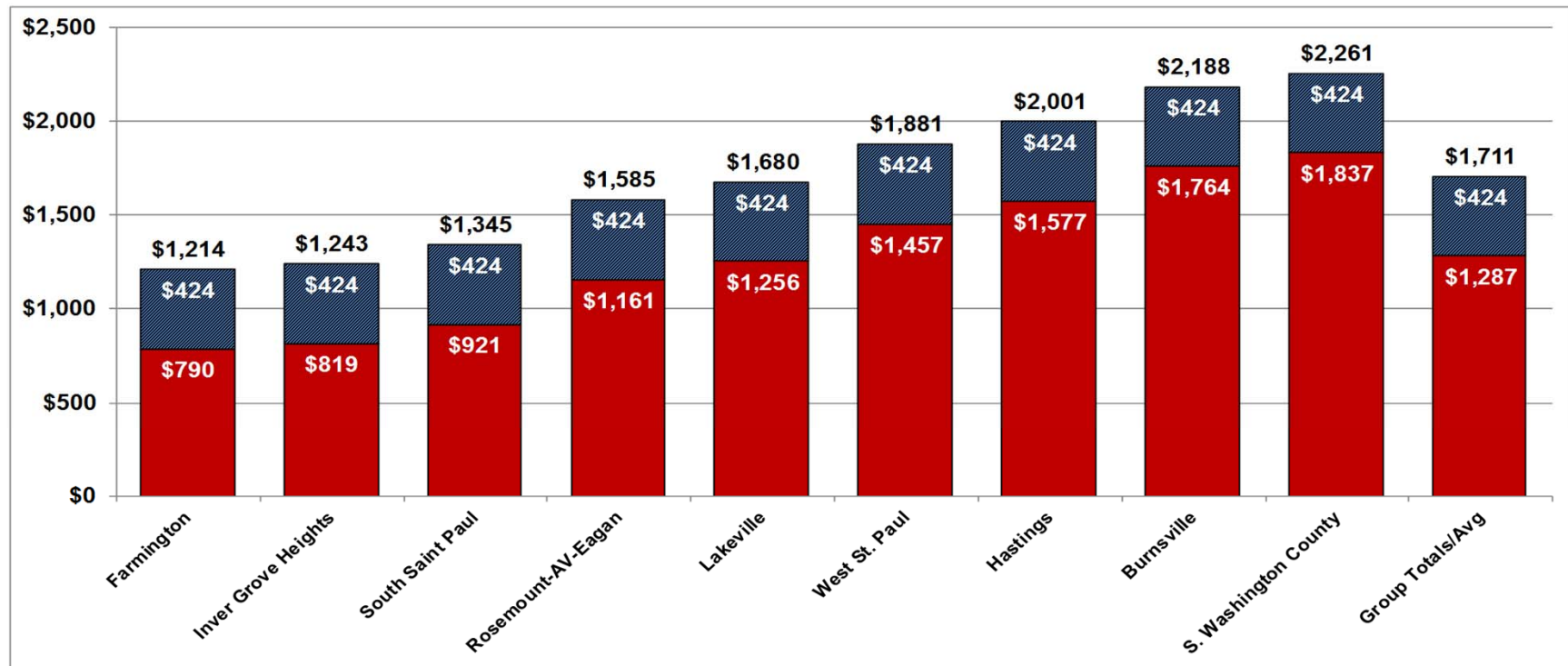


Source: MDE Revenues Per ADM, FY 2003 to FY 2019 (all revenues converted to per pupil unit)

## Inver Grove Heights School District No 199

Voter/Board Approved Referendum Authority Per Pupil Unit FY 18-19 (Includes Local Optional Revenue)

Group Average	\$	1,710.73
Inver Grove Heights	\$	1,243.00
Variance	\$	(467.73)



**Voter and/or Board Approved Referendum**

**Local Optional Revenue**



Source: MDE Revenues Per ADM, FY 2003 to FY 2019 (all revenues converted to per pupil unit) and MDE Pay 2018 Levy Limitation and Certification Reports

# Next Steps

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- School Board will accept public comments on proposed levy
- School Board will certify the 2018 property tax levy



# Public Comments

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