



Public Hearing for Taxes Payable in 2016



WELCOME

December 14, 2015

Presented by:

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Director of Business Services



Tax Hearing Presentation

State law requires public meeting

- between November 24 and December 28
- after 6:00 pm
- may be part of regularly scheduled meeting
- may adopt final levy at meeting

Tax Hearing Presentation

State law requires the presentation of -

- current year budget,
- prior year actual revenue and expenditures,
- proposed property tax levy including percentage of increase,
- specific purposes and reasons for which taxes are being increased

District must also allow for public comments

Public Schools Established by 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 is 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 the voters)

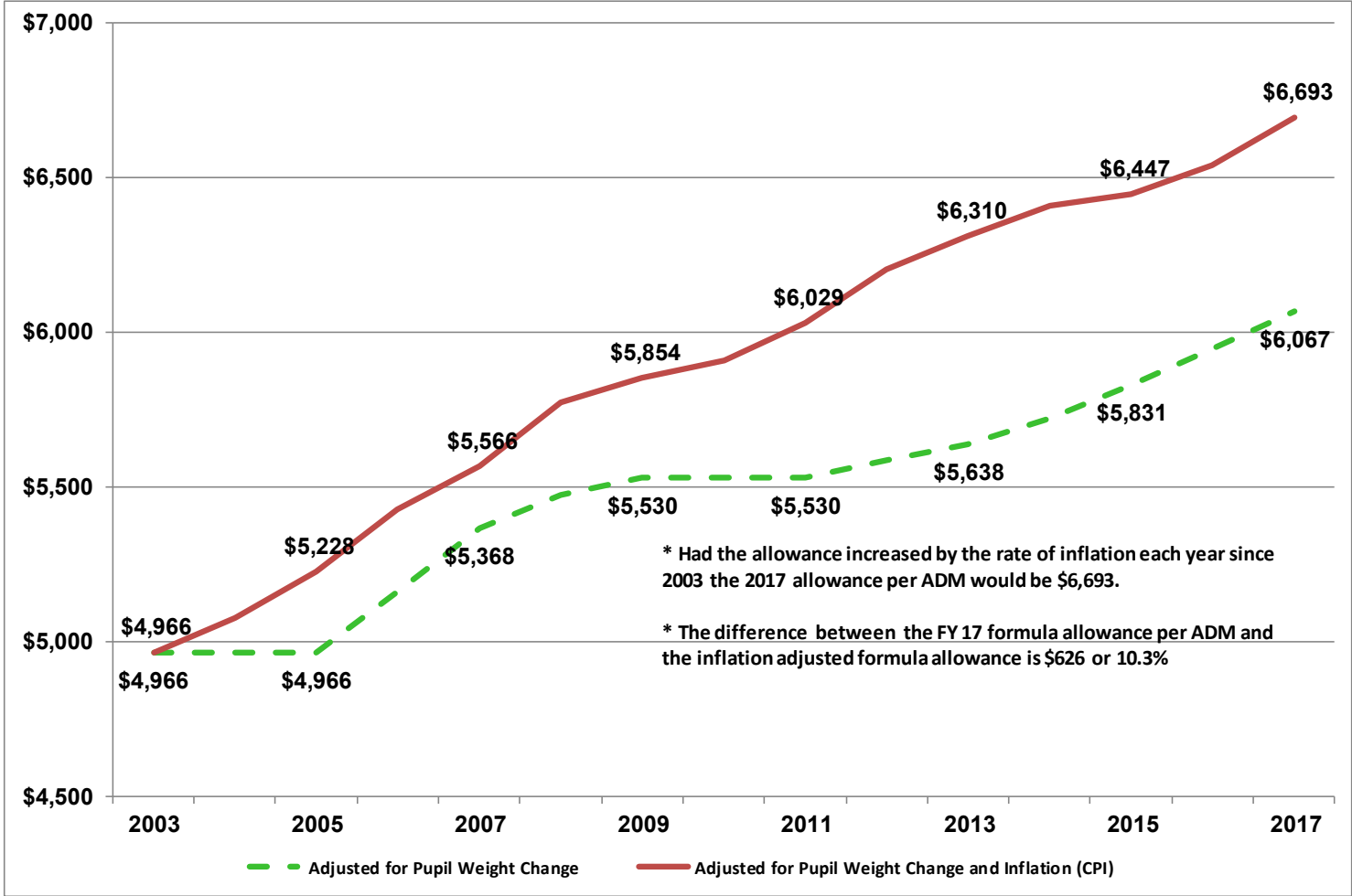
State authorizes school board to submit referendums for operating and capital needs to voters for approval

Basic General Education Formula Lags Inflation

- Since 2003, the state General Education Revenue formula has not kept pace with inflation
- For FY 2016 and FY 2017, Legislature approved an increase of 2% per year
 - \$117 per pupil unit in FY 2016
 - An additional \$119 for FY 2017
- Per-pupil allowance for Fiscal Year 2017 would need to increase by another \$626 (10.3%) to have kept pace with inflation

Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2017
 Adjusted for Pupil Weight Change and Inflation (CPI)
 2015 End of Session



Source: MDE General Education Formula Allowance, 2003 - 2017

Result: A Growing Reliance on Referendums

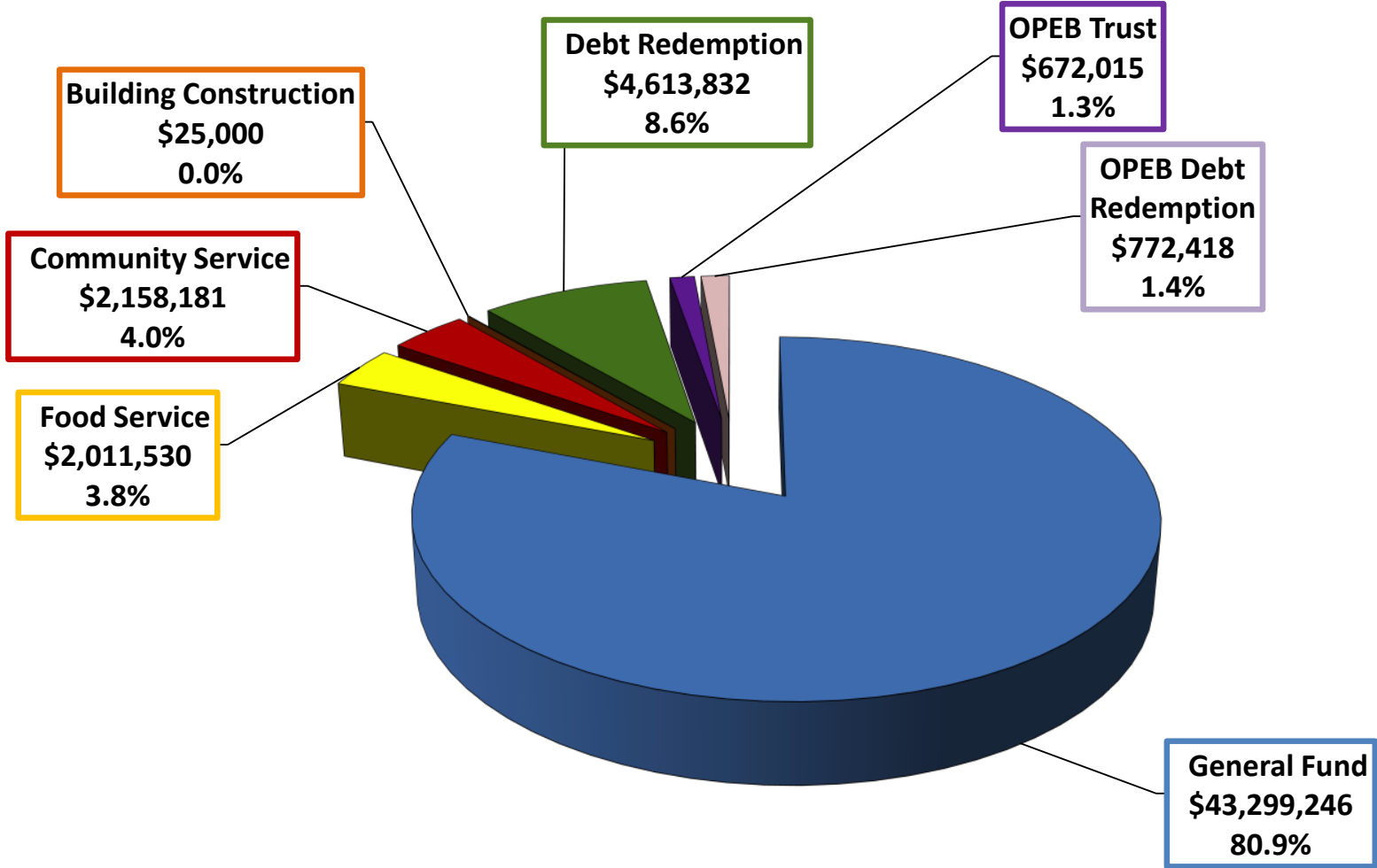
Average referendum authority per pupil is increasing

- In 1993, 65% of districts had referendum revenue averaging \$332 per pupil
- For 2016, 99.4% of district have referendum revenue plus local optional revenue authority averaging \$1,141 per pupil

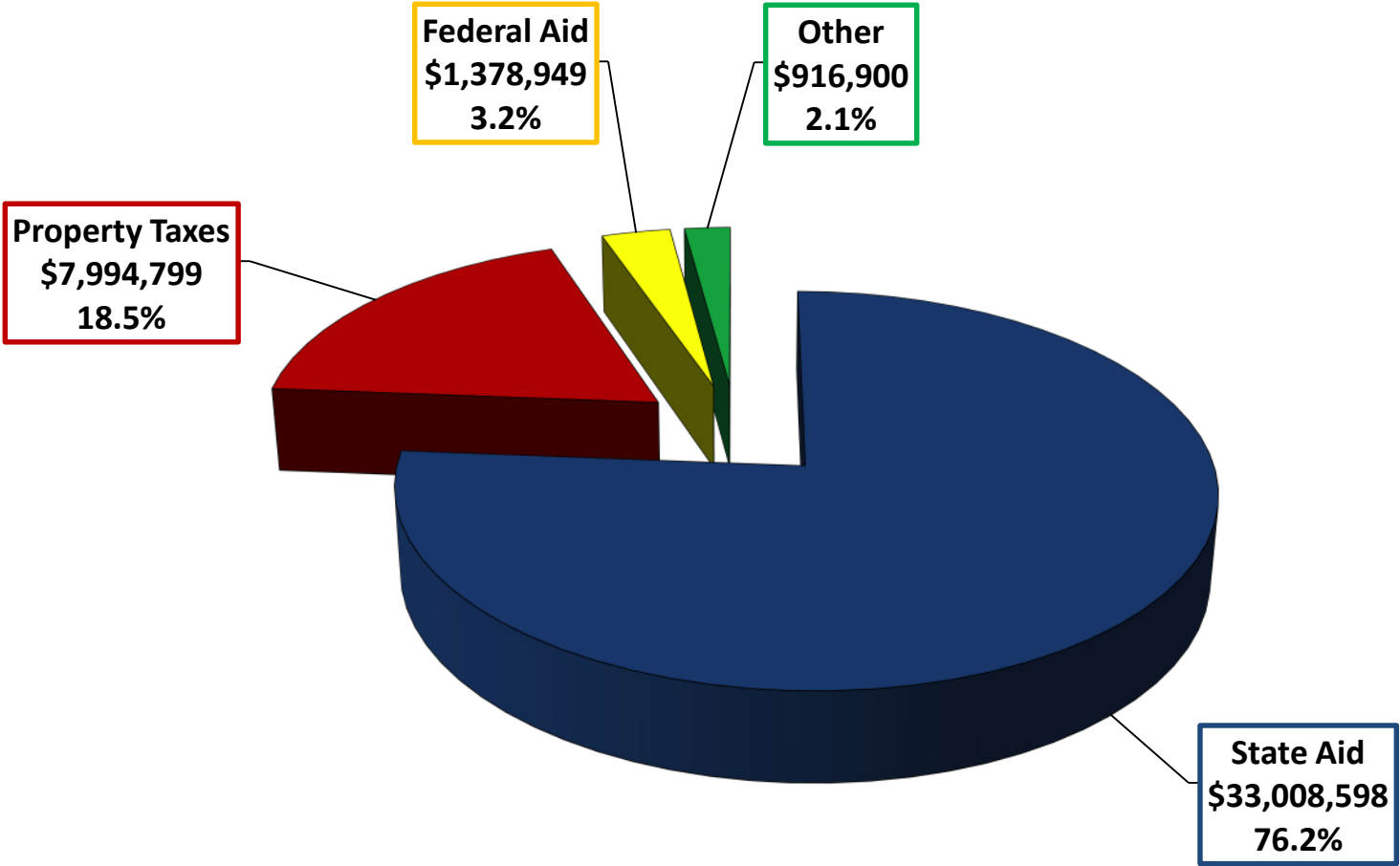
**Inver Grove Heights Community Schools
District Revenues and Expenditures
Actual for FY 15, Budget for FY 16**

FUND	FISCAL 2015 BEGINNING FUND BALANCES	2014-15 ACTUAL REVENUES AND TRANSFERS IN	2014-15 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30,2015 ACTUAL FUND BALANCE	2015-16 BUDGET REVENUES AND TRANSFERS IN	2015-16 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30,2016 PROJECTED FUND BALANCE
General Fund/Restricted	\$2,156,754	\$5,978,287	\$6,897,101	\$1,237,940	\$6,419,807	\$6,154,272	\$1,503,475
General Fund/Other	9,459,663	36,119,098	35,672,819	9,905,942	36,879,439	37,242,035	9,543,346
Food Service Fund	1,313,759	1,972,844	1,846,206	1,440,397	2,011,530	2,052,048	1,399,879
Community Service Fund	52,987	2,173,478	2,169,655	56,810	2,158,181	2,132,692	82,299
Building Construction Fund	21,440,826	30,626	14,075,501	7,395,951	25,000	7,641,826	(220,875)
Debt Service Fund	1,115,671	32,589,211	5,976,821	27,728,061	4,613,832	4,485,365	27,856,528
Trust Fund	21,344	218,038	224,395	14,987	240,000	240,000	14,987
Internal Service Fund	300,606			248,788			248,788
OPEB Revocable Trust Fund	10,366,277	419,018	781,991	10,003,304	672,015	672,015	10,003,304
OPEB Irrevocable Trust Fund				-			-
OPEB Debt Service Fund	106,661	763,132	743,773	126,020	772,418	754,997	143,441
Total All Funds	\$46,334,548	\$80,263,732	\$68,388,262	\$58,158,200	\$53,792,222	\$61,375,250	\$50,575,172

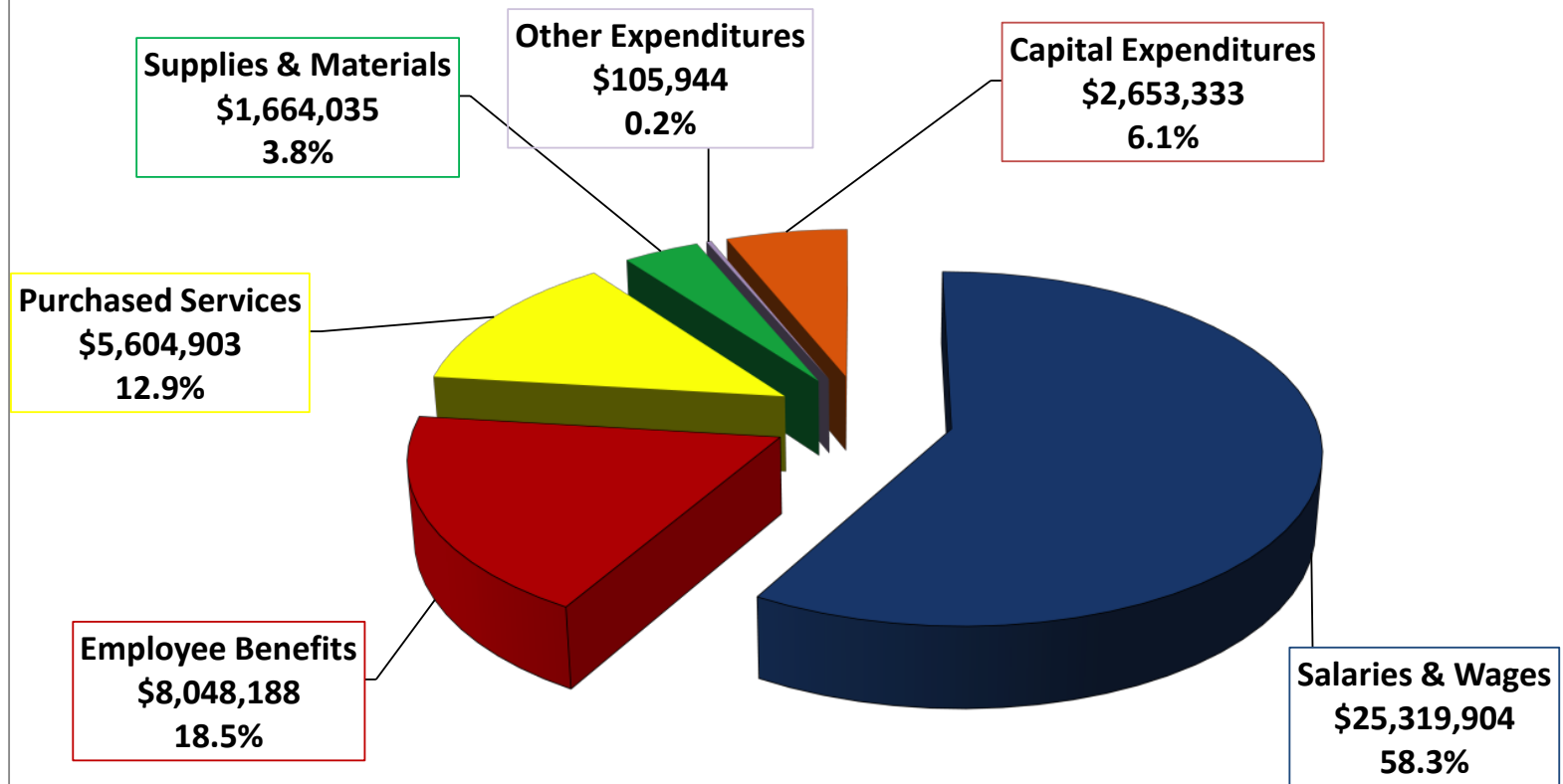
**Inver Grove Heights Community Schools
Revenue all Funds
2015-16 Budget \$53,792,222**



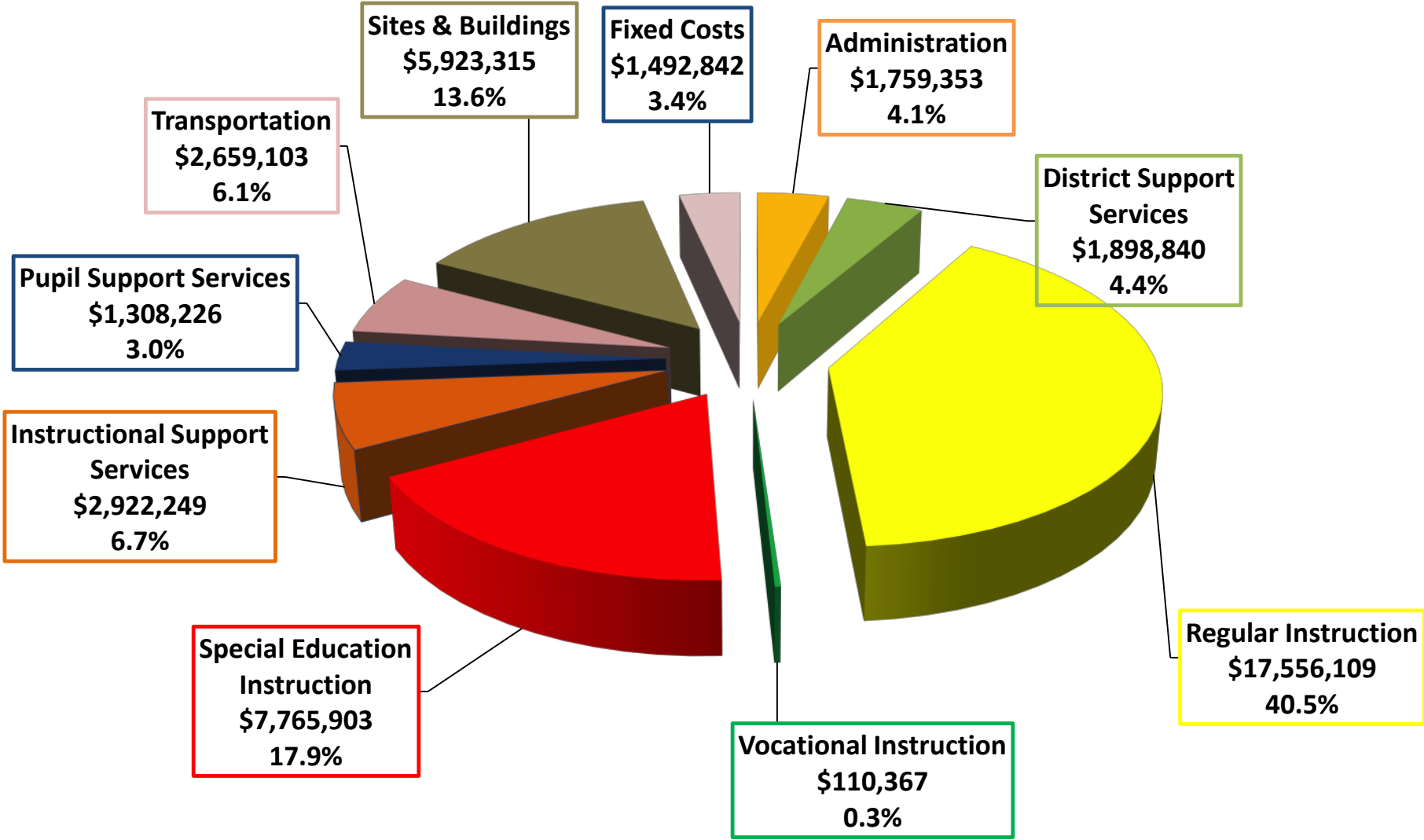
**Inver Grove Heights Community Schools
General Fund Revenue
2015-16 Budget \$43,299,246**



Inver Grove Heights Community Schools General Fund Expenditures by Object 2015-16 Budget \$43,396,307



Inver Grove Heights Community Schools General Fund Expenditures by Program 2015-16 Budget \$43,396,307



Property Tax Background

- Every owner of taxable property pays property taxes for the various “taxing jurisdictions” (county, city or township, school district, special districts) in which the property is located
- Each taxing jurisdiction sets its own tax levy, often based on limits in state law
- County sends out bills, collects taxes from property owners, and distributes funds back to other taxing jurisdictions

School District Property Taxes

- Each school district may levy taxes in up to 30 different categories
- “Levy limits” (maximum levy amounts) for each category are set either by:
 - State law, or
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district

Inver Grove Heights Community Schools

Comparison of Proposed Tax Levy Payable in 2016 to Actual Levy Payable in 2015

Fund	Levy Category	Actual Levy Payable in 2015	Proposed Levy Payable in 2016	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$1,827,706	\$1,862,151	\$34,444	
	Board Approved Referendum	0	0	0	
	Local Optional Levy	1,796,631	1,780,546	(16,086)	
	Equity	625,696	635,947	10,251	
	Student Achievement Levy	87,187	84,712	(2,475)	
	Alternate Teacher Compensation	0	0	0	
	Capital Projects - Technology Levy	0	0	0	
	Operating Capital	410,426	431,703	21,277	
	Health and Safety	1,431,840	0	(1,431,840)	
	Deferred Maintenance- Alt Facilities Levy	272,384	0	(272,384)	
	Long Term Facilities Maintenance	0	1,339,432	1,339,432	
	Instructional Lease Levy	732,397	754,424	22,026	
	Safe Schools	177,688	197,372	19,684	
	Other	280,214	274,760	(5,454)	
	Adjustments for Prior Years	352,631	(22,016)	(374,648)	
	Total, General Fund	\$7,994,800	\$7,339,028	(\$655,772)	-8.2%
Community Service Fund					
	Basic Community Education	\$211,823	\$211,823	\$0	
	Early Childhood Family Education	99,569	95,987	(3,581)	
	School-Age Child Care	125,945	129,725	3,780	
	Other	3,096	3,104	8	
	Adjustments for Prior Years	30,253	29,861	(392)	
	Total, Community Service Fund	\$470,685	\$470,500	(\$185)	0.0%
Debt Service Funds					
	Voter Approved Debt Service	\$4,114,478	\$4,113,257	(\$1,221)	
	Other Debt Service	592,662	452,033	(140,629)	
	Other Post Employment Benefits	792,275	786,894	(5,381)	
	Reduction for Debt Excess	(144,733)	(101,484)	43,249	
	Abatements	31,568	2,633	(28,935)	
	Total, Debt Service Fund	\$5,386,249	\$5,253,332	(\$132,917)	-2.5%
Total Levy, All Funds		\$13,851,734	\$13,062,860	(\$788,874)	-5.7%
Subtotal by Truth in Taxation Categories:					
	Voter Approved Levies	\$6,082,109	\$5,883,956	(\$198,153)	
	Other Levies	<u>\$7,769,626</u>	<u>\$7,178,905</u>	<u>(\$590,721)</u>	
	Total	\$13,851,734	\$13,062,860	(\$788,874)	-5.7%

Factors Causing Changes from 2015 to 2016

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

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

Explanation of Levy Changes

Aggregated Sources of Referendum Revenue

Source	Actual Levy - FY 16	Proposed Levy - FY 17	FY 16 \$ Change
	Payable in 2015	Payable in 2016	
Voter/Bd Referendum Levy	\$ 1,827,706	\$ 1,862,151	\$ 34,444
State Equalization Aid	544,886	478,889	(65,997)
Voter/Bd Approved Ref. Revenue	\$ 2,372,592	\$ 2,341,040	\$ (31,553)
Local Optional Levy	\$ 1,796,631	\$ 1,780,546	\$ (16,086)
State Equalization Aid	7,913	-	(7,913)
Local Optional Revenue (LOR)	\$ 1,804,544	\$ 1,780,546	\$ (23,998)
Total Levy	3,624,337	3,642,696	\$ 18,359
Total State Aid	552,799	478,889	(73,910)
Total Revenue	\$ 4,177,136	\$ 4,121,585	\$ (55,551)

- Total revenue from local optional revenue and voter approved referendums decreased by \$55,551 due to a projected decrease in enrollment
- Because the district's tax base increased, we will receive less state aid, which will cause a slight increase in the total tax levy

Long Term Facilities Maintenance Revenue

- This is a new category of revenue created by new legislation in 2015
- Intent was to create greater equity among districts in funding for facility maintenance – gives districts that did not qualify for the previous “alternative facilities revenue” access to substantial additional revenue
- For FY17, revenue for most districts is \$193 per pupil unit – this will increase over the following two years
- Replaces the previous health and safety, deferred maintenance, and alternative facilities revenue programs.

Explanation of Levy and Revenue Changes

Long Term Facilities Maintenance Revenue (LTFMR)

Source	Actual Levy - FY 16	Proposed Levy - FY 17	FY 16 \$ Change
	Payable in 2015	Payable in 2016	
Health and Safety Levy	\$1,431,840		\$ (1,431,840)
Health and Safety Aid	\$0		\$ -
Deferred Maintenance Levy	\$272,384		\$ (272,384)
Deferred Maintenance Aid	\$0		\$ -
LTFM Levy - General Fund		\$1,339,432	\$ 1,339,432
LTFM Aid - General Fund		\$54,608	\$ 54,608
Total General Fund Levy	\$1,704,224	\$1,339,432	\$ (364,792)
Total General Fund Aid	\$0	\$54,608	\$ 54,608
Total General Fund Revenue	\$ 1,704,224	\$ 1,394,040	\$ (310,184)
Alternate Facilities Debt Levy	\$592,662		\$ (592,662)
Alternate Facilities Debt Aid	\$0		\$ -
LTFM Levy - Debt		\$452,033	\$ 452,033
LTFM Aid - Debt		\$138,319	\$ 138,319
Total LRFMR Levy	\$2,296,886	\$1,791,465	\$ (505,421)
Total LTFMR Aid	\$0	\$192,927	\$ 192,927
Total LTFMR	\$ 2,296,886	\$ 1,984,392	\$ (312,494)

- General fund levy for LTFM compared to Pay 15 levy for H&S and Deferred Maintenance is down by \$364,792
- Debt levy is down by \$140,629 largely because of increased state aid
- Total levy decrease of \$505,421

Explanation of Levy Changes

- Category: Adjustments for Prior Years – General Fund
- Change: -\$374,648
- Use of funds: general operating expenses
- Reason for decrease:
 - ✓ Current levies are based on estimated student counts. State adjusts back three years to adjust annual levies to reflect actual prior year enrollments
 - ✓ Balance of decrease is spread over multiple levies

Explanation of Levy Changes

- Category: Debt Service
- Change: -\$132,917
- Use of funds: Annual required payment of principal and interest on both voter approved bonds and alternative/LTFM facility bonds
- Reason for decrease:
 - ✓ Reduction of \$140,629 in “other debt” levy, primarily due to newly authorized state aid to finance part of the payments on alternative facilities bonds

Impact on Taxpayers

- Following are a table and graphs showing examples of changes in the school district portion of property taxes from 2013 to 2016
 - Examples include school district taxes only
 - All examples are based on a 10.3% increase in property value over this period
 - Actual changes in value may be more or less than this for any parcel of property
 - These figures are intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties
- Estimates were prepared by Ehlers, the district's financial advisors

Inver Grove Heights Community Schools

Estimated Changes in School Property Taxes, 2013 to 2016

Based on 10.3% Cumulative Changes in Property Value from 2013 to 2016 Taxes

Type of Property	Taxable Market Value for 2013 Taxes	Actual Taxes Payable in 2013	Taxable Market Value for 2014 Taxes	Actual Taxes Payable 2014 Taxes	Estimated Market Value for 2015 Taxes	Actual Taxes Payable in 2015	Estimated Market Value for 2016 Taxes	Estimated Taxes Payable in 2016	Change in Taxes 2013 to 2016	Change in Taxes 2015 to 2016
Residential Homestead	\$90,684	\$336	\$91,137	\$350	\$95,694	\$388	\$100,000	\$356	\$20	-\$32
	136,025	556	136,705	588	143,541	647	150,000	591	35	-56
	181,367	775	182,274	825	191,388	907	200,000	826	51	-81
	226,709	994	227,842	1,062	239,234	1,166	250,000	1,060	66	-106
	294,721	1,324	296,195	1,418	311,005	1,554	325,000	1,412	88	-142
	362,734	1,653	364,548	1,774	382,775	1,943	400,000	1,764	111	-179
	430,747	1,978	432,900	2,124	454,545	2,319	475,000	2,099	121	-220
	498,759	2,290	501,253	2,461	526,316	2,708	550,000	2,468	178	-240
566,772	2,648	569,606	2,853	598,086	3,137	625,000	2,857	209	-280	
634,785	3,007	637,959	3,246	669,856	3,565	700,000	3,245	238	-320	
Commercial/ Industrial #	\$90,684	\$397	\$91,137	\$428	\$95,694	\$467	\$100,000	\$423	\$26	-\$44
	226,709	1,058	227,842	1,151	239,234	1,265	250,000	1,151	93	-114
	453,418	2,244	455,685	2,458	478,469	2,692	500,000	2,444	200	-248
	680,126	3,430	683,527	3,766	717,703	4,120	750,000	3,737	307	-383
906,835	4,615	911,369	5,073	956,938	5,548	1,000,000	5,030	415	-518	
Apartments (4 or more units)	\$226,709	\$1,197	\$227,842	\$1,308	\$239,234	\$1,429	\$250,000	\$1,294	\$97	-\$135
	1,133,544	5,985	1,139,212	6,542	1,196,172	7,145	1,250,000	6,470	485	-675
	1,813,670	9,576	1,822,739	10,468	1,913,876	11,432	2,000,000	10,351	775	-1,081

Tax Rates				
Tax Capacity Rate		27.556	33.418	34.864
Referendum Market Value Rate		0.18354	0.15657	0.16150
				30.263
				0.13928

For commercial-industrial property, school taxes may be slightly different in other municipalities in the district, due to the varying impact of the Fiscal Disparities Program.

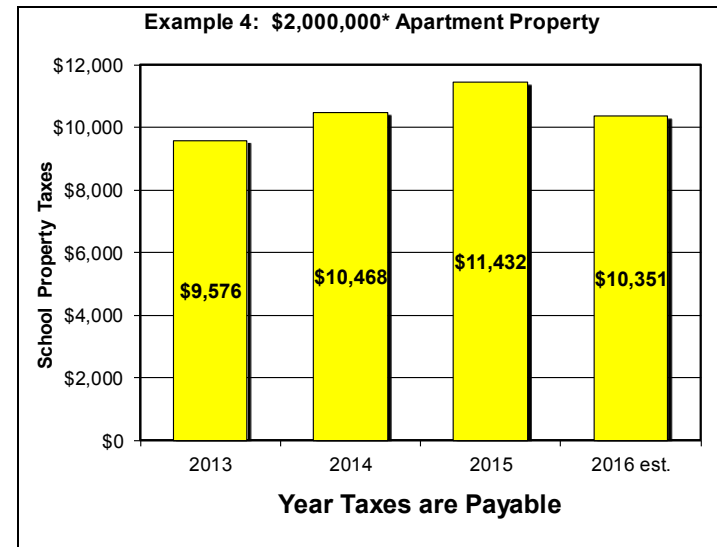
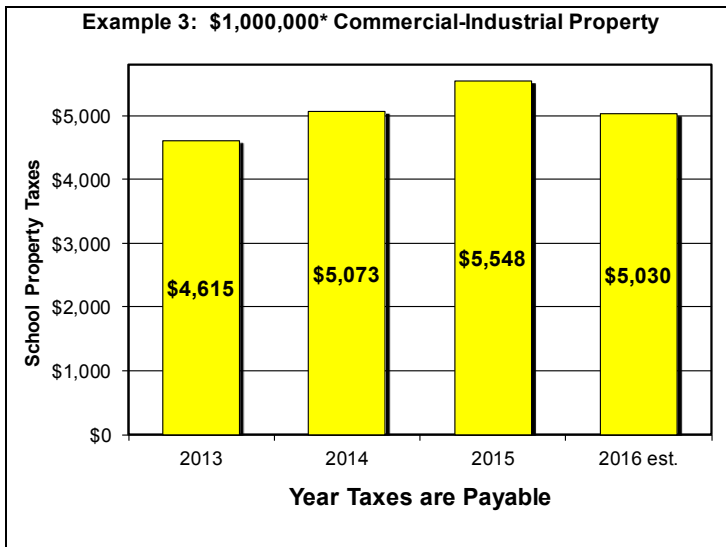
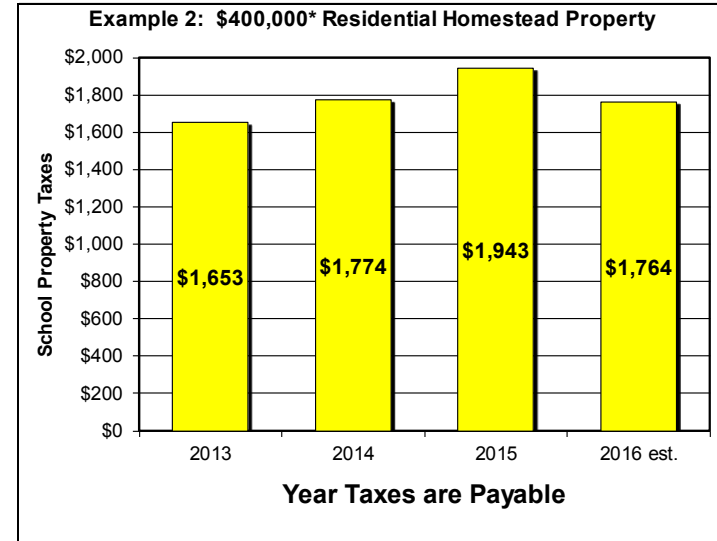
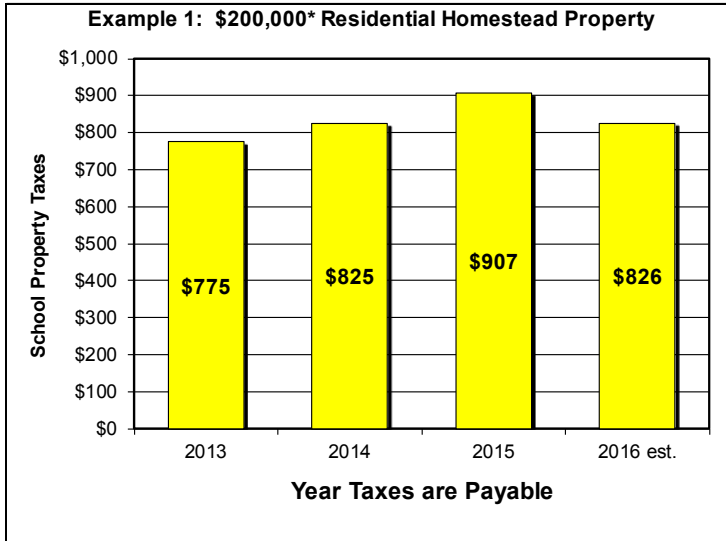
General Notes

1. The figures 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. All estimates for 2016 taxes are preliminary estimates, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of 0.5% from 2013 to 2014 taxes, 5.0% from 2014 to 2015, and 4.5% from 2015 to 2016.

Inver Grove Heights Community Schools

Estimated Changes in School Property Taxes, 2013 to 2016

Based on 10.3% Cumulative Changes in Property Value from 2013 to 2016 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 2016. Taxes are calculated based on changes in market value of 0.5% from 2013 to 2014 taxes, 5.0% from 2014 to 2015, and 4.5% from 2015 to 2016.



Next Steps

- Board will accept public comments and questions on proposed levy
- Board will certify the 2016 property tax levy



Public Comments and Questions