

Lakeville Area Public Schools

Public Hearing for Taxes Payable in 2018

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November 28, 2017

Tax Hearing Presentation



State Law Requires a Public Meeting:

- Between November 24th and December 28th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting

Tax Hearing Presentation



State Law Requires a Presentation of:

- Current year budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % increase
- Specific purposes and reasons taxes are being increased
- Allow for public to comment

Agenda for Hearing



- A. Background on School Funding, Property Tax Levies, and Budgets
- B. Information on District Budget
- C. Information on District's Proposed Tax Levy for Taxes Payable in 2018
- D. Public Comments and Questions

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 restricted and regulated by the State

State Sets:

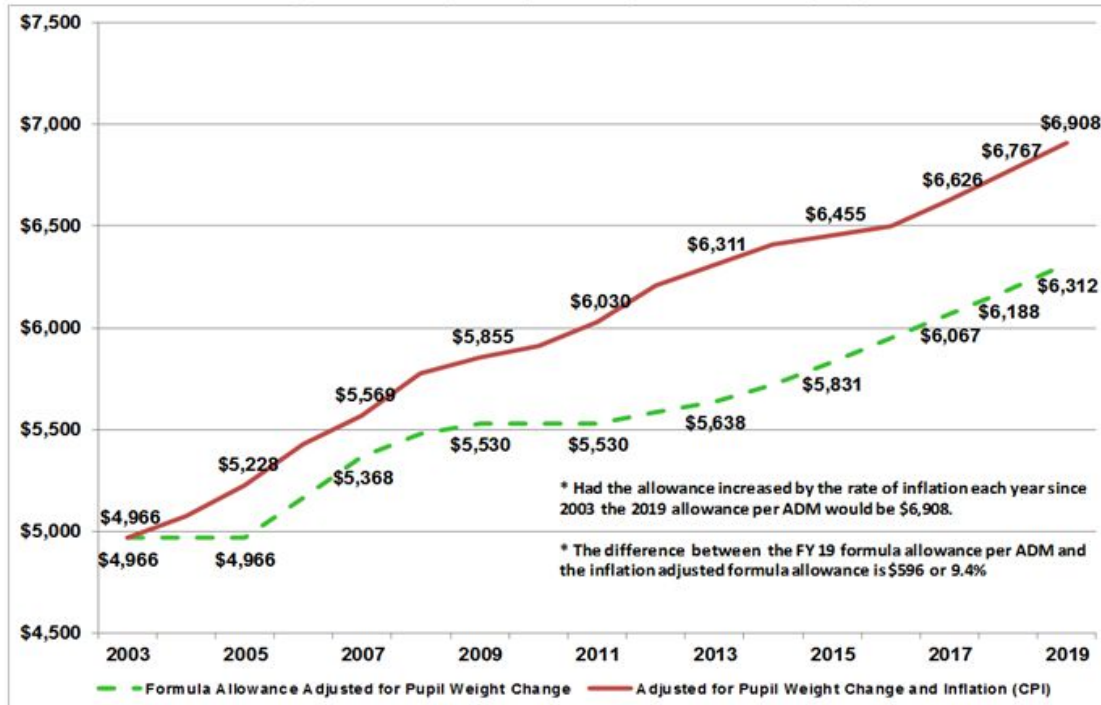
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

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

General Education Formula Lags Inflation



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



Source: MDE January 2017 Inflation Estimates

- Since 2003, state's General Education Revenue formula has not kept pace with inflation
- For FY 2018 and FY 2019, Legislature approved an increase of 2% per year
 - \$121/PU in FY18
 - \$124/PU in FY19
- Per-pupil allowance for Fiscal Year 2019 would need to increase by another \$596 (9.4%) to have kept pace with inflation since 2003

Growing Dependence on Referendum Revenues



- In 1993, 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 of which:
 - \$879 is board approved or voter approved operating referendum
 - \$417 is Local Optional Revenue
 - Represents 20.5% of general education formula allowance

Tax Levy Relationship to Annual Budget



- Tax levy is based on many state-determined formulas plus voter approved referendums, as a result an increase in school taxes does not always correlate to an equal increase in budget
- 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

Levy Cycles: District vs. City and County



City & County:

- Budget Year same as calendar year
- 2018 taxes provide revenue for 2018 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2018 taxes provide revenue for 2018-2019 school fiscal year
- Budget will be adopted in June 2018

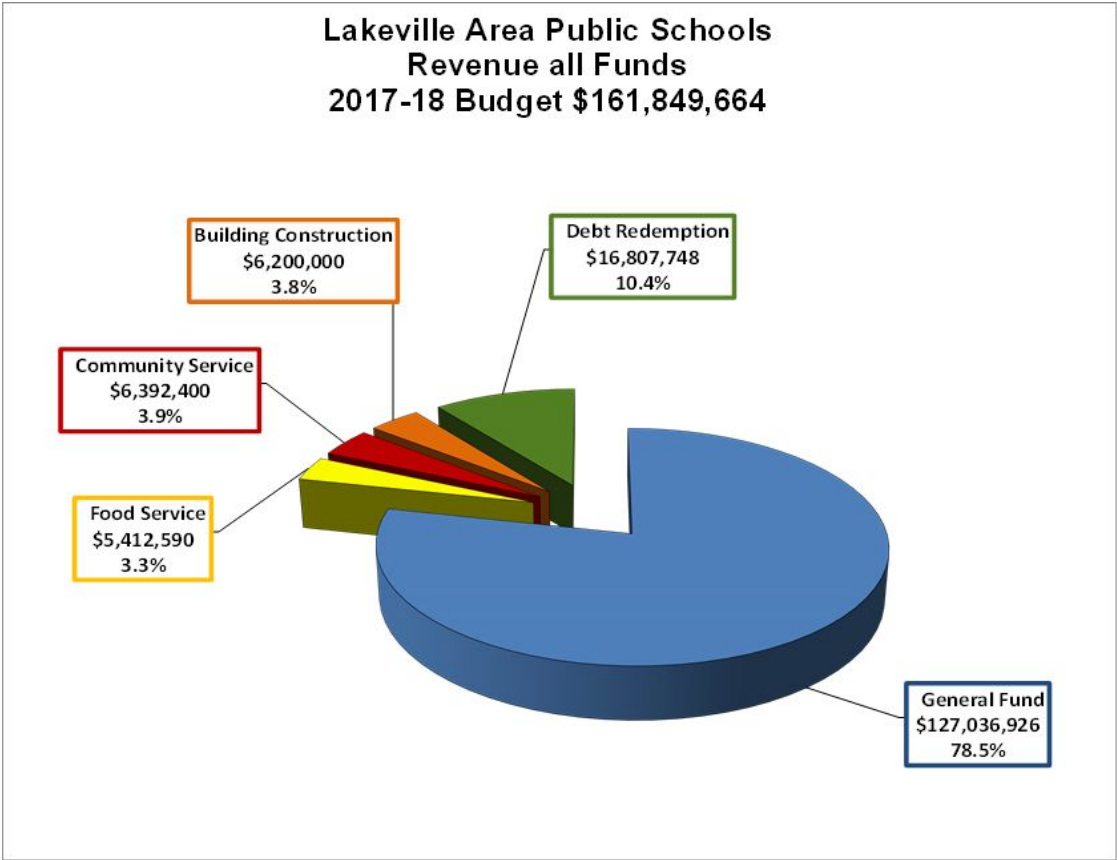
District Revenue and Expenditures



**Lakeville Area Public Schools
District Revenues and Expenditures
Actual for FY 2017, Budget for FY 2018**

FUND	FISCAL 2017 BEGINNING FUND BALANCES	2016-17 ACTUAL REVENUES AND TRANSFERS IN	2016-17 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2017 ACTUAL FUND BALANCE	2017-18 BUDGET REVENUES AND TRANSFERS IN	2017-18 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2018 PROJECTED FUND BALANCE
General Fund	17,856,414	130,651,577	128,253,386	20,254,605	127,036,926	131,613,215	15,678,316
Food Service Fund	1,538,227	5,474,395	5,236,443	1,776,179	5,412,590	5,419,785	1,768,984
Community Service Fund	813,692	6,335,058	5,958,803	1,189,947	6,392,400	6,560,940	1,021,407
Building Construction Fund	7,130,485	34,426	3,593,314	3,571,597	6,200,000	4,570,000	5,201,597
Debt Service Fund	65,256,407	17,364,146	79,236,320	3,384,233	16,807,748	16,854,775	3,337,206
Total All Funds	\$92,595,225	\$159,859,602	\$222,278,266	\$30,176,561	\$161,849,664	\$165,018,715	\$27,007,510

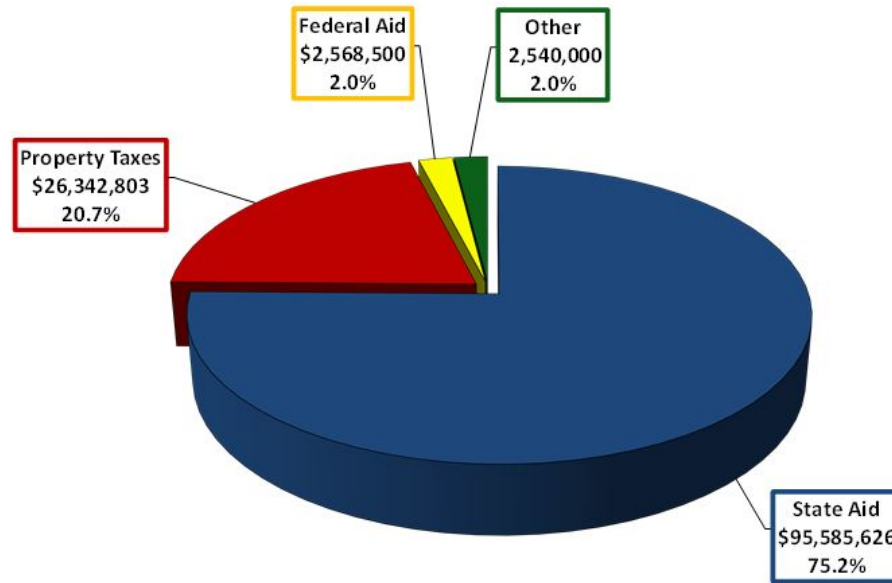
Revenues: All Funds



Revenues: General Fund by Source



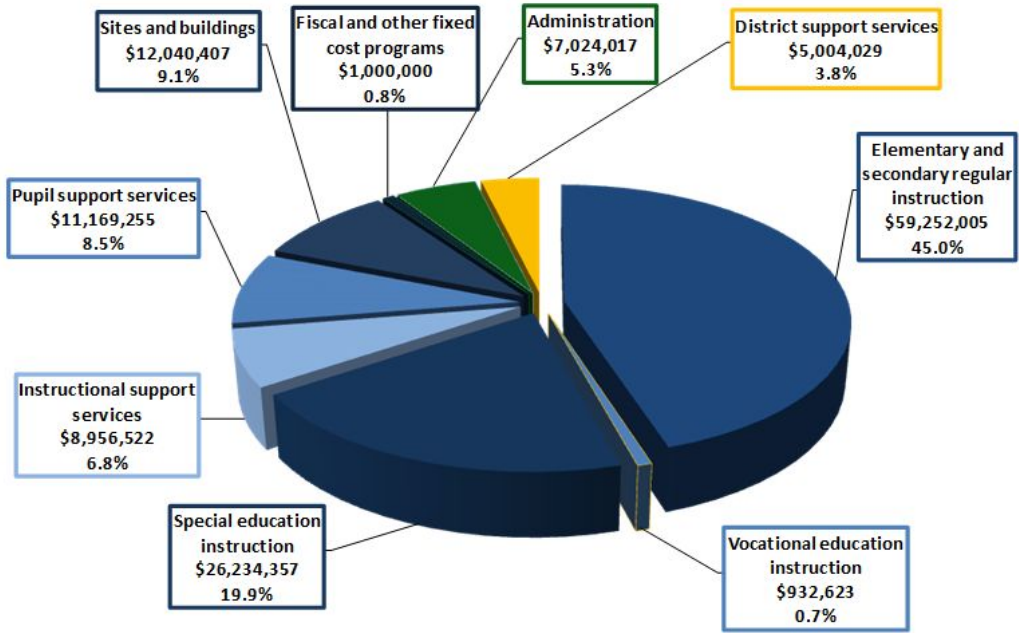
Lakeville Area Public Schools
General Fund Revenue
2017-18 Budget \$127,036,926



Expenditures: General Fund by Program



Lakeville Area Public Schools
General Fund Expenditures by Program
2017-18 Budget \$131,613,215



Blue tiles represent General Fund Budget allocated to building level operations: 90.9%

Property Tax Levy 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

School District Property Taxes



- Each school district may levy taxes in over 30 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
- Key steps in process are summarized on the next slide

Levy Schedule of Events



- September 8: MDE prepared and distributed first draft of levy limit report
- September 26: School board approved proposed levy amounts
- Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
- November 28: Public hearing on proposed levy at regular meeting
- December 12: School Board will certify final levy amounts

Overview of Proposed Levy Payable in 2018



The total 2018 proposed property tax levy will increase over 2017 by \$3,587,343 or 8.3%

This total differs from the proposed levy approved by the Board in September, due to the following:

- District voters approved renewal of the existing operating levy of \$692.75 per pupil which was not included in (the initial) proposed levy
- Renewal of the expiring levy added \$7,783,737 to levy

State law requires explanation for the major increases and decreases in the levy

Lakeville Area Public Schools

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

Fund	Levy Category	Actual Levy Payable in 2017	Proposed Levy Payable in 2018	\$ Change	% Change
General Fund					
	Voter Approved Referendum	\$12,749,762	\$13,663,719	\$913,956	
	Local Optional Levy	4,911,616	5,067,902	156,286	
	Equity	1,229,642	1,316,334	86,693	
	Student Achievement Levy	103,120	0	(103,120)	
	Alternate Teacher Compensation	700,000	997,926	297,926	
	Capital Projects - Technology Levy	2,102,255	2,223,107	120,852	
	Operating Capital	798,020	703,056	(94,964)	
	Long Term Facilities Maintenance	1,124,960	1,872,299	747,339	
	Instructional Lease Levy	573,410	924,527	351,117	
	Safe Schools	590,784	609,583	18,799	
	Other	1,773,264	1,910,022	136,758	
	Levy Adjustments	(489,962)	201,986	691,948	
	Total, General Fund	\$26,166,871	\$29,490,461	\$3,323,590	12.7%
Community Service Fund					
	Basic Community Education	\$337,752	\$400,287	\$62,535	
	Early Childhood Family Education	241,305	245,011	3,706	
	School-Age Child Care	420,900	439,400	18,500	
	Other	6,367	6,451	85	
	Levy Adjustments	51,490	76,694	25,205	
	Total, Community Service Fund	\$1,057,814	\$1,167,844	\$110,030	10.4%
Debt Service Funds					
	Voter Approved Debt Service	\$15,975,488	\$16,262,401	\$286,913	
	LT Facility Maintenance Debt Service	737,829	735,746	(2,083)	
	Reduction for Debt Excess	(727,416)	(883,287)	(155,871)	
	Levy Adjustments	48,341	73,104	24,763	
	Total, Debt Service Fund	\$16,034,241	\$16,187,964	\$153,723	1.0%
Total Levy, All Funds		\$43,258,926	\$46,846,269	\$3,587,343	8.3%
Subtotal by Truth in Taxation Categories:					
	Voter Approved Levies	\$29,677,793	\$31,534,256	\$1,856,463	
	Other Levies	\$13,581,133	\$15,312,013	\$1,730,880	
	Total	\$43,258,926	\$46,846,269	\$3,587,343	8.3%

Explanation of Levy Changes



Category: Voter Approved Operating Referendum

Change: + \$913,956

Use of funds: General operating expenses

Reason for increase:

- Projected enrollment will increase by 369 pupil units: \$449,932
- Voter approved inflationary adjustment added \$35.37 to the current authority: \$421,568
- District's total property value increased, as a result share of funding provided through tax levy increased

Explanation of Levy Changes



Category: Local Optional Revenue

Change: + \$156,286

Use of funds: General operating expenses

Reason for increase:

- Funding based on legislatively set formula of \$424 per pupil and is provided through a combination of local tax levies and state aid
- Enrollment projected to increase by 369 students for the 18-19 school year

Explanation of Levy Changes



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

Change: + \$747,339

Use of funds: Deferred Facility Maintenance

Reason for increase:

- 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
- State set allowance per pupil increased due to three year phase-in of new formula
- Increase partially offset by reductions in Student Achievement and Operating Capital levies

Explanation of Levy Changes



Category: Instructional Lease

Change: + \$351,117

Use of funds: State-approved instructional lease costs

Reason for increase:

- Amount is based on estimated cost of qualifying state-approved instructional leases
- Levy is increasing due to potential lease of new education facilities

Explanation of Levy Changes



Category: Alternative Teacher Compensation (Q-Comp)

Change: + \$297,926

Use of funds: Encourage teachers to improve instructional skills

Reasons for increase:

- New levy in 2017 to fund teacher performance incentives
- State funds 65% of program cost
- District levied \$700,000 for FY18 , an under levy of \$279,758
- For 2018 the state formula authorizes a levy of \$997,926

Explanation of Levy Changes



Category: Adjustments for Prior Years – General Fund

Change: + \$691,948

Use of funds: General Fund operational expenses

Reason for increase:

- Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
- In the three subsequent years, estimates are updated and levies are retroactively adjusted
- The FY17 operating referendum levy included a negative adjustment of \$470,637 as opposed to a positive adjustment of \$195,212 for FY18, causing a difference of \$665,849

Explanation of Levy Changes



Category: Community Education Fund

Change: + \$110,030

Use of funds: Various purposes

Reason for increase:

- The 2017 levy included a reduction of \$60,000 in the authorized basic levy
- School age care levy increased by \$42,645
- \$18,500 increase based on projected program costs
- \$24,145 prior year reduced adjustment

Explanation of Levy Changes



Category: Debt Service

Change: + \$153,723

Use of funds: Annual required payment of principal and interest on bonds

Reason for increase:

- Increase in contracted debt retirement principal and interest payments of \$286,913
- Offset by \$155,871 increase in levy credit from current fund balance in the Debt Fund

Impact on Taxpayers



The following are tables and graphs showing examples of changes in the school district portion of property taxes from 2015 to 2018 (Examples include school district taxes only).

All examples are based on a 13% increase/decrease in property value over this period

- Actual changes in value may be more or less than this for any parcel of property
- Figures are intended to provide a fair representation of what has happened to school district property taxes over this period for typical properties
- Examples for property in the City of Lakeville, for commercial-industrial property, school taxes in other parts of the district may be slightly higher or lower due to variations in the impact of the Fiscal Disparities Program
- Figures for 2018 are preliminary estimates, based on the best data available now – final figures could change slightly
- Estimates prepared by Ehlers, the District's municipal financial advisors

Estimated Changes in Property Taxes



Lakeville Area Public Schools

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.0% 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 Total	Change in Taxes 2015 to 2018	Change in Taxes 2017 to 2018
Residential Homestead	\$132,724	\$671	\$136,705	\$776	\$142,857	\$753	\$150,000	\$823	\$152	\$70
	176,965	934	182,274	1,079	190,476	1,045	200,000	1,138	204	93
	221,206	1,197	227,842	1,381	238,095	1,337	250,000	1,453	256	116
	265,447	1,460	273,411	1,684	285,714	1,629	300,000	1,768	308	139
	309,689	1,723	318,979	1,986	333,333	1,921	350,000	2,083	360	162
	353,930	1,986	364,548	2,289	380,952	2,213	400,000	2,399	413	186
	398,171	2,249	410,116	2,591	428,571	2,501	450,000	2,703	454	202
	442,412	2,504	455,685	2,881	476,190	2,779	500,000	3,003	499	224
	530,895	3,029	546,822	3,498	571,429	3,393	600,000	3,687	658	294
	619,377	3,600	637,959	4,155	666,667	4,027	700,000	4,370	770	343
Commercial/ Industrial #	\$221,206	\$1,716	\$227,842	\$1,980	\$238,095	\$1,926	\$250,000	\$2,080	\$364	\$154
	884,825	7,578	911,369	8,715	952,381	8,445	1,000,000	9,063	1,485	618
	1,769,649	15,395	1,822,739	17,695	1,904,762	17,138	2,000,000	18,375	2,980	1,237
	3,539,298	31,028	3,645,477	35,655	3,809,524	34,522	4,000,000	36,997	5,969	2,475
	4,424,123	38,845	4,556,847	44,635	4,761,905	43,215	5,000,000	46,309	7,464	3,094
Agricultural Homestead (average value per acre of land and buildings)	\$1,770	\$2.81	\$1,823	\$3.22	\$1,905	\$3.13	\$2,000	\$2.40	-\$0.41	-\$0.73
	4,424	7.02	4,557	8.05	4,762	7.84	5,000	6.01	-1.01	-1.83
Agricultural Non-homestead (average value per acre of land and buildings)	\$1,770	\$5.62	\$1,823	\$6.44	\$1,905	\$6.27	\$2,000	\$4.81	-\$0.81	-\$1.46
	4,424	14.04	4,557	16.09	4,762	15.67	5,000	12.02	-2.02	-3.65
Apartments and Res. Non-Homestead (2 or more units)	\$221,206	\$1,428	\$227,842	\$1,641	\$238,095	\$1,585	\$250,000	\$1,708	\$280	\$123
	1,106,031	7,138	1,139,212	8,207	1,190,476	7,927	1,250,000	8,541	1,403	614
Seasonal Recreational Residential	\$44,241	\$140	\$45,568	\$161	\$47,619	\$157	\$50,000	\$165	\$25	\$8
	88,482	281	91,137	322	95,238	313	100,000	330	49	17
Residential	132,724	421	136,705	483	142,857	470	150,000	496	75	26
	176,965	562	182,274	644	190,476	627	200,000	661	99	34
Tax Rates										
Tax Capacity Rate		31.741		35.318		32.914		33.045		
Referendum Market Value Rate		0.24858		0.27897		0.25441		0.27023		

* For commercial/Industrial property, figures above are for property in the City of Lakeville. Taxes for commercial/Industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disincentives Program.

General Notes

- 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.
- Estimates of taxes payable in 2018 are preliminary, based on the best data available as of the date above.
- For all examples of properties, taxes are based on changes in taxable market value of 3.0% from 2015 to 2016 taxes, 4.5% from 2016 to 2017, and 5.0% from 2017 to 2018.

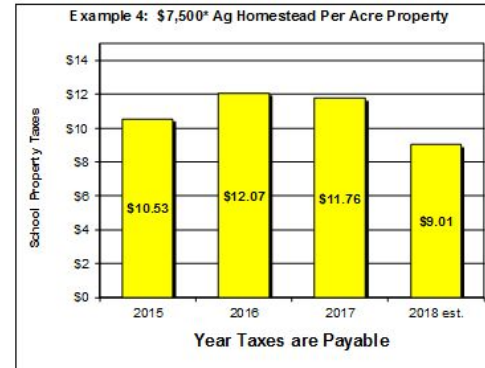
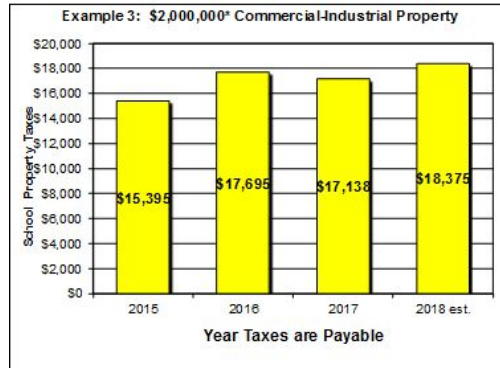
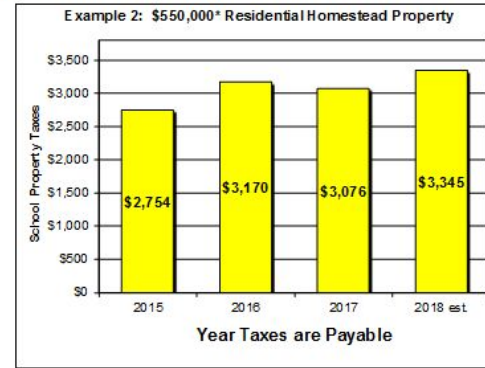
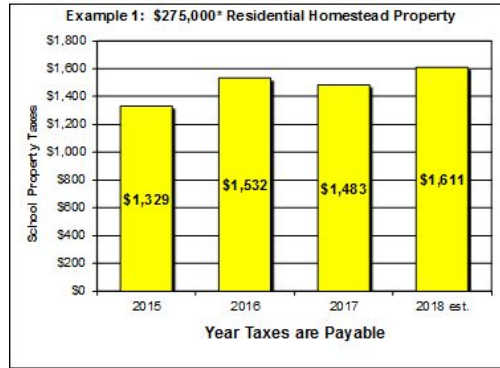
Estimated Changes in Property Taxes



Lakeville Area Public Schools

Estimated Changes in School Property Taxes, 2015 to 2018

Based on 13.0% Cumulative Changes in Property Value from 2015 to 2018 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 2018. Taxes are calculated based on changes in market value of 13.0% from 2015 to 2016 taxes, 4.5% from 2016 to 2017, and 5.0% from 2017 to 2018.

Next Steps



- Board will accept public comments and questions on proposed levy
- Board will certify the 2018 property tax levy at the next regularly scheduled Board Meeting on December 12th.



Public Comments and Questions