



Fridley Public Schools
School Board TRUTH IN TAXATION Agenda

Tuesday, December 21, 2021 at 7:00 PM
Fridley Community Center
6085 7th Street NE
Fridley, MN 55432

A. **TRUTH IN TAXATION PUBLIC HEARING**

2



A World-Class Community of Learners

Fridley Public Schools, ISD 14

Public Hearing for Taxes Payable in 2022

DECEMBER 21, 2021

PRESENTED BY:

BARBIE ROESSLER,

DIRECTOR OF 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 2022
- 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

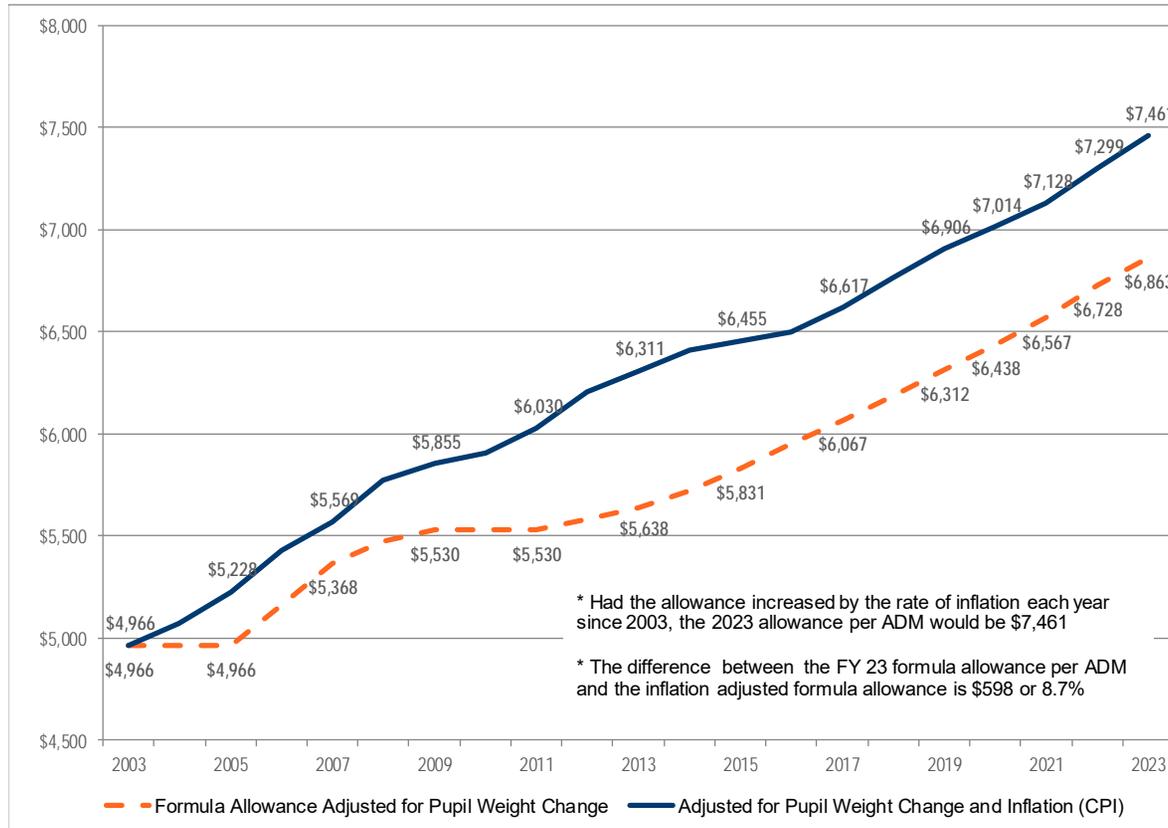
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021-22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022-23, an increase of 2.00% or \$135 over current year was approved

Per-pupil allowance for Fiscal Year 2022-23 of \$6,863 would need to increase by another \$598 (8.7%) to have kept pace with inflation since 2002-03

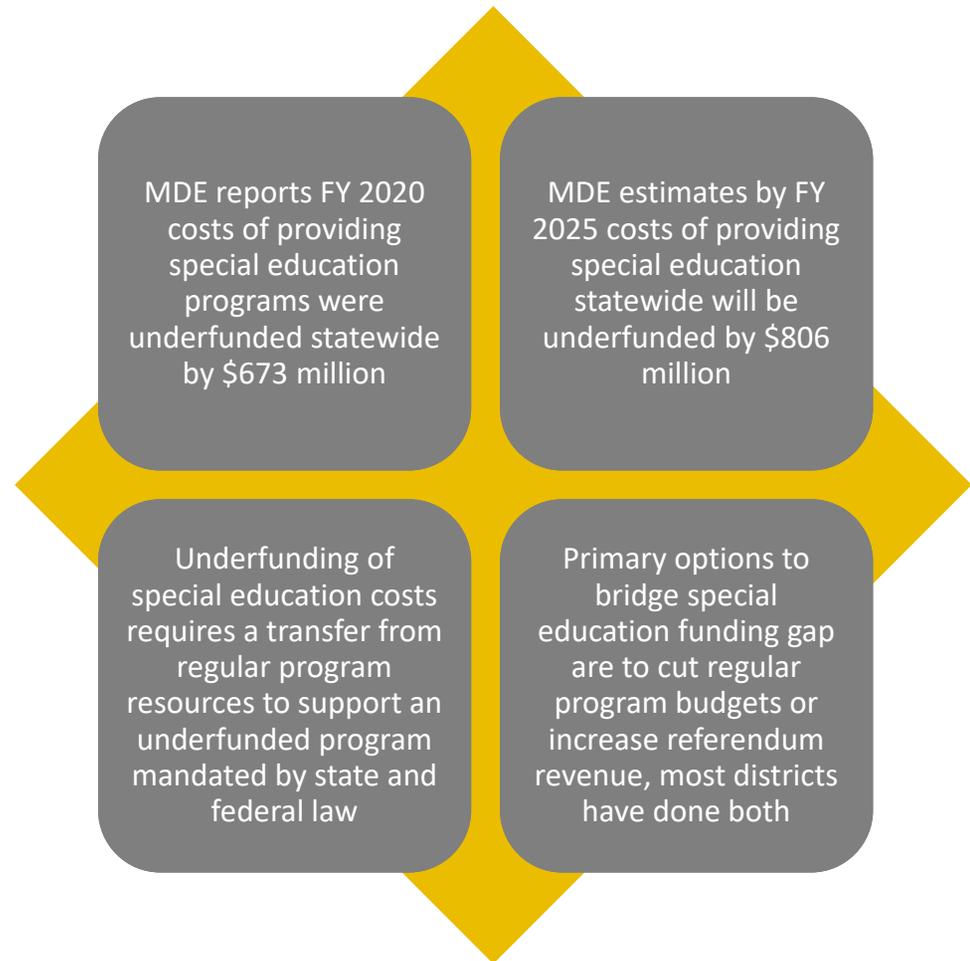
General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE April 2021 Inflation Estimates

Underfunding of Special Education



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
- 2022 taxes provide revenue for 2022 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2022 taxes provide revenue for 2022-23 school fiscal year
- Budget will be adopted in June 2022

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 2022-23 budget will be adopted by School Board in June 2022.

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

**Other Post-Employment Benefits*

Fridley Independent School District, ISD 14

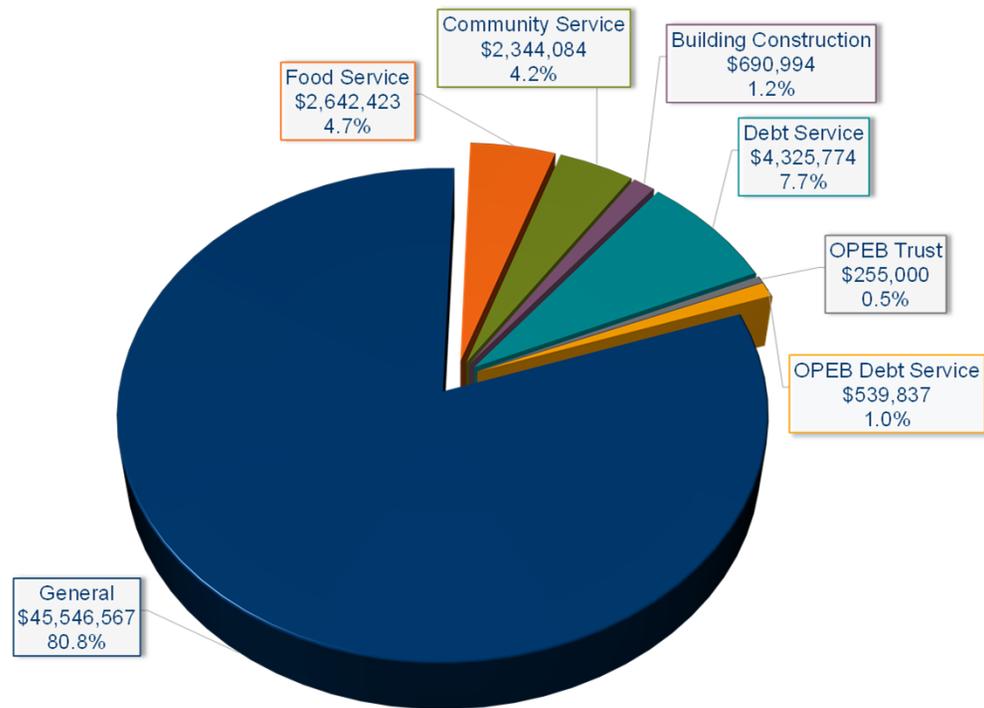
District Revenues and Expenditures
Actual for FY 2021, Budget for FY 2022

FUND	FISCAL 2021 BEGINNING	2020-21 ACTUAL	2020-21 ACTUAL	JUNE 30, 2021 ACTUAL	2021-22 BUDGET	2021-22 BUDGET	JUNE 30, 2022 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Restricted	\$1,742,056	\$9,446,861	\$8,350,908	\$2,838,009	\$9,098,285	\$9,064,905	\$2,871,389
General/Other	5,718,887	37,669,282	36,634,651	6,753,518	36,448,282	36,532,271	6,669,529
Food Service	623,997	1,609,953	1,596,883	637,067	2,642,423	2,607,869	671,621
Community Service	403,556	1,872,370	2,328,966	(53,040)	2,344,084	2,344,084	(53,040)
Building Construction	829,228	600,693	-	1,429,921	690,994	690,994	1,429,921
Debt Service	787,860	9,625,714	9,489,683	923,891	4,325,774	4,281,801	967,864
Internal Service	4,771,280			5,771,013			5,703,109
OPEB* Revocable Trust	4,503,048	252,469	332,778	4,422,739	255,000	345,400	4,332,339
OPEB* Debt Service	113,526	543,243	540,555	116,214	539,837	545,830	110,221
Total All Funds	\$19,493,438	\$61,620,585	\$59,274,424	\$22,839,332	\$56,344,679	\$56,413,154	\$22,702,953

*Other Post Employment Benefits

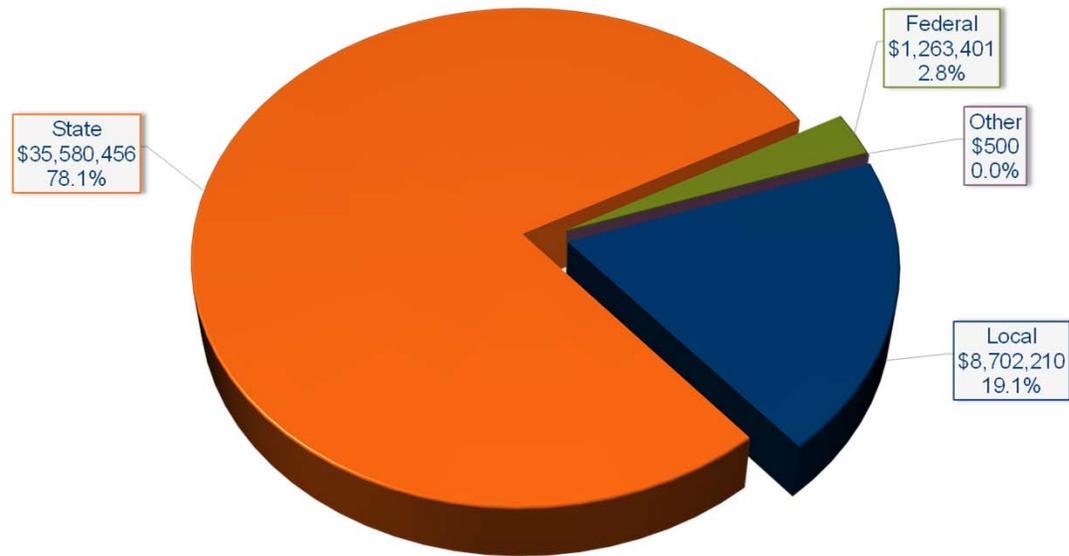
Fridley Public Schools

Revenue – All Funds
2021-22 Budget \$56,344,679



Fridley Public Schools

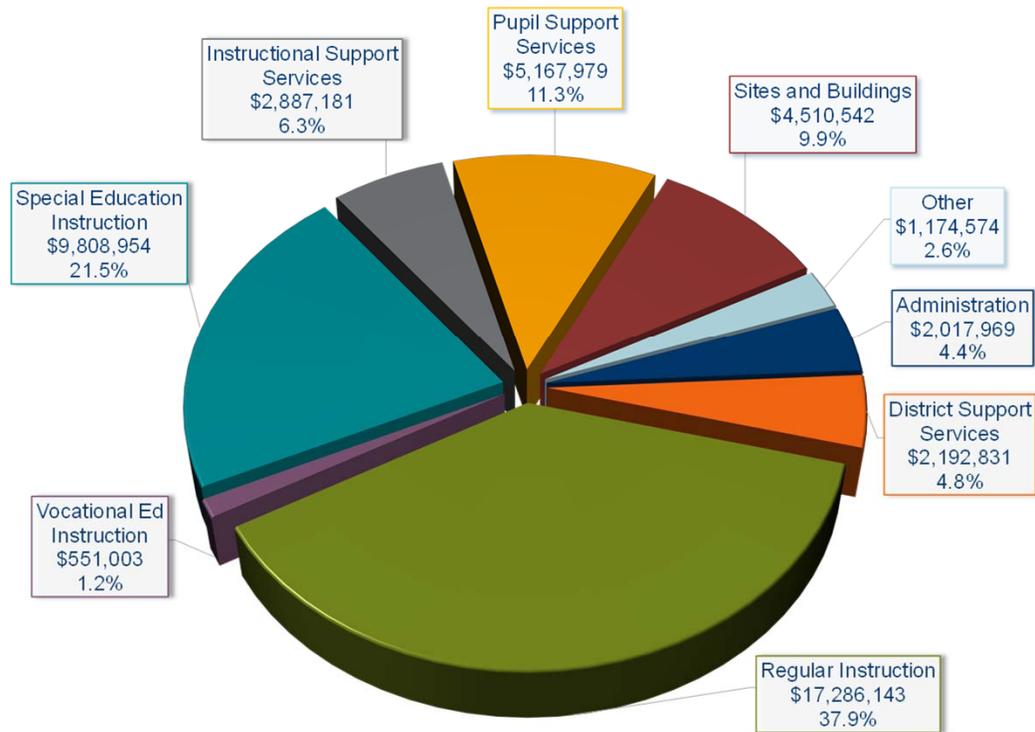
General Fund Revenue
2021-22 Budget \$45,546,567



Fridley Public Schools

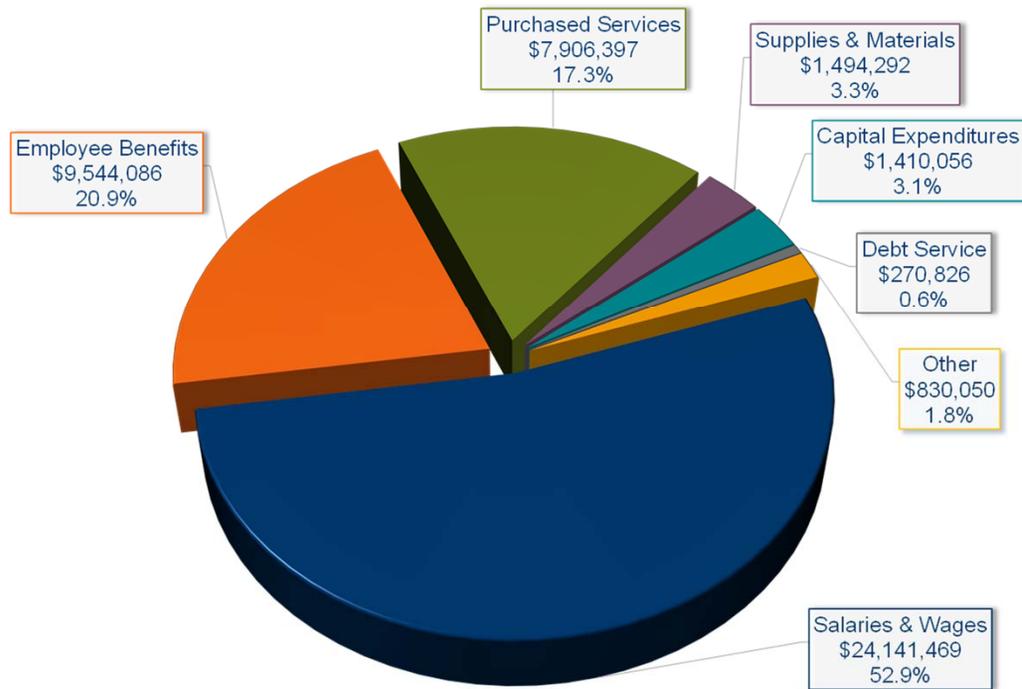
General Fund Expenditures by Program

2021-22 Budget \$45,597,176



Fridley Public Schools

General Fund Expenditures by Object
2021-22 Budget \$45,597,176



Payable 2022 Property Tax Levy

- Determination of levy
- Comparison of 2021 to 2022 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 2022 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

PROPOSED TAXES 2022

THIS IS NOT A BILL. DO NOT PAY.



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 Road South
Spruceville, MN 55555-5555

Property Information

PDN Number: 01.234.56.789.R1
Property Address: 789 Pine Rd S
Spruceville, MN 55555

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

The time to provide feedback on PROPOSED LEVIES is NOW

It is too late to appeal your value without going to Tax Court.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2021	2022
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class:	Res N/Hmstd	Res Hmstd
PROPOSED TAX			
2	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$	\$ 12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,467.52	
PROPERTY TAX STATEMENT			
3	Coming in 2022		

Proposed Property Taxes and Meetings by Jurisdiction for Your Property			
Contact Information	Meeting Information	Actual 2021	Proposed 2022
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 3, 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 2, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 130 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		\$389.35	\$206.68
Other Levies		\$340.11	\$374.60
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.4%

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 2022 may be higher than the proposed amount shown on this notice.

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

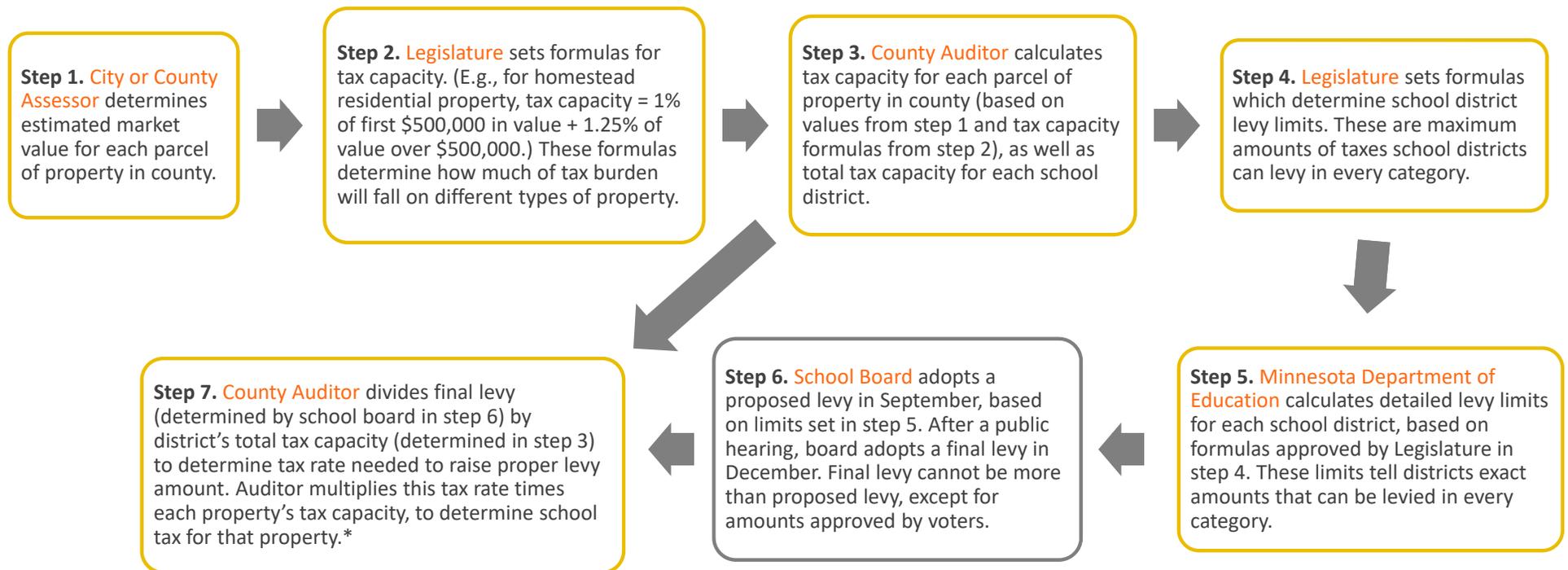
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

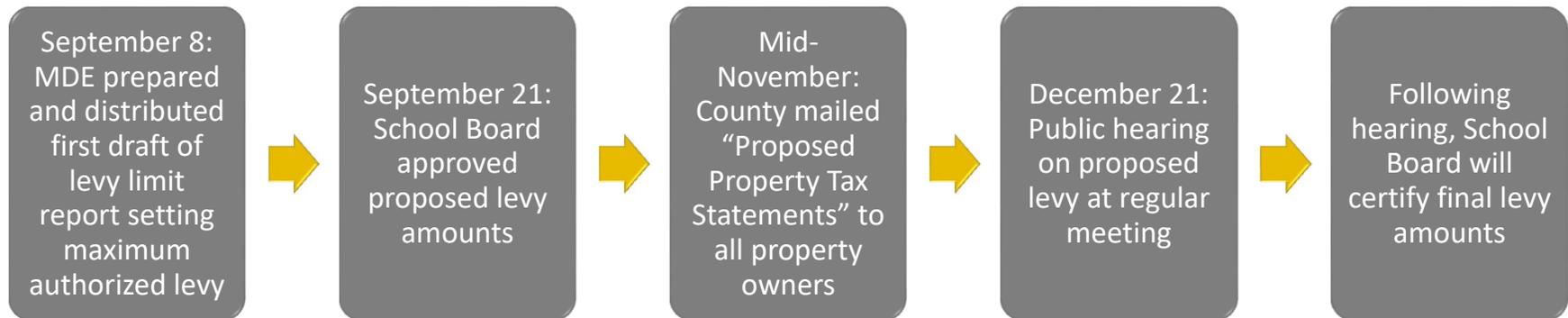
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

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 2021 (Payable 2022) Tax Levy



Overview of Proposed Levy Payable in 2022

- Proposed property tax levy for 2022 is an increase from 2021 of \$451,408 or 3.7%
- Reasons for major increases and decreases in levy are included on following slides

Fridley Public School District, ISD 14

Comparison of Actual Tax Levy Payable in 2021 to Proposed Levy Payable in 2022

Fund Levy Category	Actual Levy Payable in 2021	Proposed Levy Payable in 2022	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$1,537,773	\$1,581,327	\$43,554	
Local Optional Revenue (LOR)	1,867,084	1,904,592	37,508	
Equity	425,446	425,488	42	
Capital Project Referendum	987,134	1,044,275	57,140	
Operating Capital	195,250	212,504	17,254	
Alternate Teacher Compensation	280,026	269,309	(10,717)	
Safe Schools	154,336	154,530	194	
Long Term Facilities Maintenance	1,154,778	1,154,903	125	
Instructional Lease	584,730	592,847	8,117	
Other	462,591	482,569	19,978	
Prior Year Adjustments	(46,508)	194,172	240,679	
Total, General Fund	\$7,602,641	\$8,016,515	\$413,874	5.4%
Community Service				
Basic Community Education	\$120,409	\$132,835	\$12,426	
Early Childhood Family Education	50,437	50,242	(195)	
School-Age Child Care	175,000	160,000	(15,000)	
Other	1,244	1,291	47	
Prior Year Adjustments	74,607	31,603	(43,005)	
Total, Community Service Fund	\$421,698	\$375,971	(\$45,727)	-10.8%
Debt Service				
Voter Approved	\$2,253,775	\$2,271,781	\$18,006	
Other	263,183	261,818	(1,365)	
Long-Term Facility Maintenance	1,451,430	1,429,502	(21,928)	
Other Post Employment Benefits	572,623	566,491	(6,132)	
Reduction for Debt Excess	(304,391)	(140,399)	163,991	
Prior Year Adjustments	51,098	(18,213)	(69,312)	
Total, Debt Service Fund	\$4,287,719	\$4,370,979	\$83,261	1.9%
Total Levy, All Funds	\$12,312,057	\$12,763,465	\$451,408	3.7%
Subtotal by Truth in Taxation Categories:				
Voter Approved	4,671,343	4,908,997	237,654	
Other	7,640,714	7,854,468	213,754	
Total	\$12,312,057	\$12,763,465	\$451,408	3.7%

Explanation of Levy Changes

Category: General Fund – Voter Approved Capital Project Referendum

Change: +\$57,140

Use of Funds: Capital Improvements and Technology

Reason for Change:

- Levy is based on voter approved tax rate applied to tax base
- District's tax base increased

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: +\$240,679

Use of Funds: Various

Reason for Change:

- 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
- Taxes payable in 2022 includes a large positive adjustments while taxes payable in 2021 included a negative adjustment, causing the levy to increase

Explanation of Levy Changes

Category: Reduction for Debt Excess

Change: +\$163,991

Use of Funds: Payments on bonds

Reason for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- Formulas in state law determine adjustments to tax levy for debt excess balances
- State-required levy reduction for 2022 is less than 2021

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 slides show examples of changes in school district portion of property taxes from 2019 to 2022
- Examples include school district taxes only
- All examples are based on a 16.3% 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 Fridley
- Amounts for 2022 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 16.3% Cumulative Changes in Property Value from 2019 to 2022 Taxes

Type of Property	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	Actual Taxes Payable in 2021	Estimated Market Value for 2022 Taxes	Estimated Taxes Payable in 2022	Change in Taxes 2019 to 2022	Change in Taxes 2021 to 2022
Residential Homestead	\$85,978	\$421	\$91,137	\$482	\$95,694	\$479	\$100,000	\$514	\$93	\$35
	128,967	723	136,705	809	143,541	800	150,000	852	129	52
	171,956	1,024	182,274	1,136	191,388	1,122	200,000	1,191	167	69
	214,946	1,326	227,842	1,463	239,234	1,444	250,000	1,529	203	85
	257,935	1,628	273,411	1,790	287,081	1,766	300,000	1,867	239	101
	343,913	2,232	364,548	2,444	382,775	2,409	400,000	2,544	312	135
	429,891	2,828	455,685	3,081	478,469	3,027	500,000	3,187	359	160
	515,869	3,413	546,822	3,751	574,163	3,715	600,000	3,933	520	218
	687,826	4,755	729,095	5,194	765,550	5,138	800,000	5,426	671	288
859,782	6,097	911,369	6,637	956,938	6,561	1,000,000	6,919	822	358	
Commercial/ Industrial #	\$429,891	\$3,335	\$455,685	\$3,546	\$478,469	\$3,473	\$500,000	\$3,549	\$214	\$76
	644,837	5,128	683,527	5,435	717,703	5,319	750,000	5,427	299	108
	859,782	6,921	911,369	7,323	956,938	7,165	1,000,000	7,305	384	140
	1,289,674	10,506	1,367,054	11,100	1,435,407	10,856	1,500,000	11,060	554	204
	1,719,565	14,091	1,822,739	14,877	1,913,876	14,547	2,000,000	14,816	725	269
Apartments and Res. Non-Homestead (2 or more units)	\$171,956	\$1,342	\$182,274	\$1,443	\$191,388	\$1,423	\$200,000	\$1,493	\$151	\$70
	515,869	4,026	546,822	4,329	574,163	4,269	600,000	4,478	452	209
	859,782	6,710	911,369	7,214	956,938	7,114	1,000,000	7,464	754	350

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

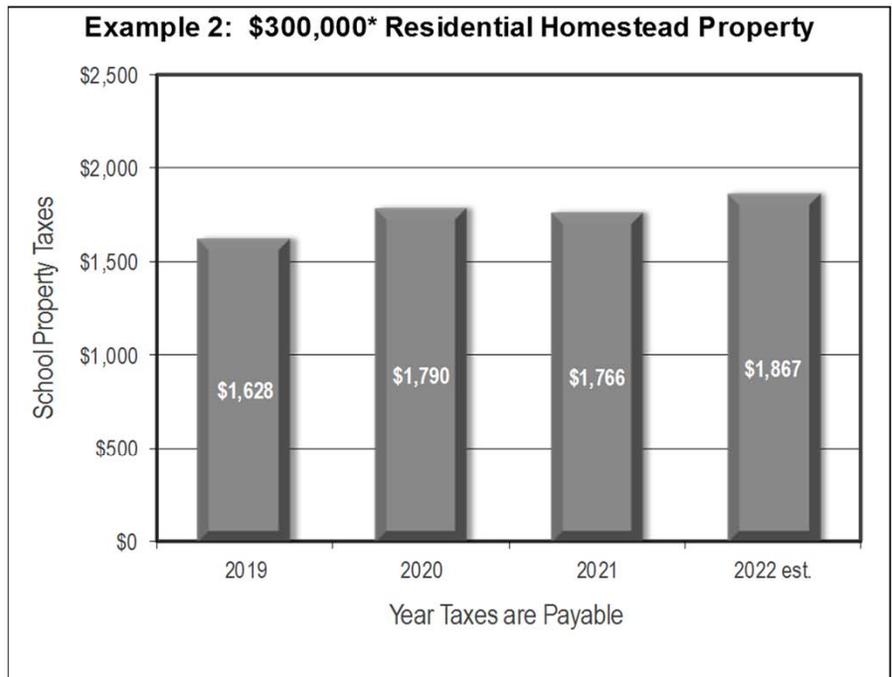
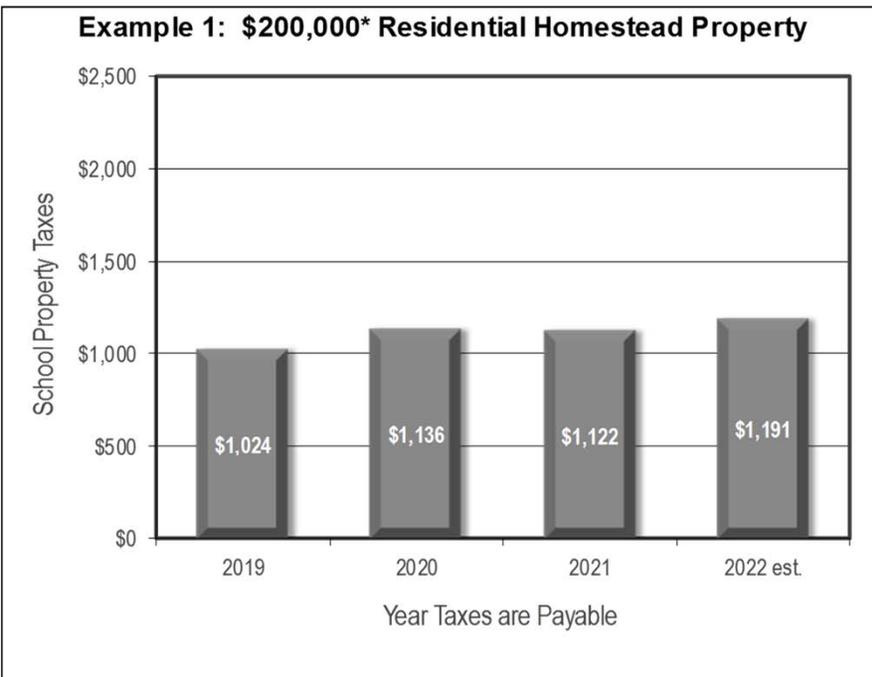
General Notes

1. Amounts 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 2022 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 6.0% from 2019 to 2020 taxes, 5.0% from 2020 to 2021, and 4.5% from 2021 to 2022.

Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 16.3% Cumulative Changes in Property Value from 2019 to 2022 Taxes

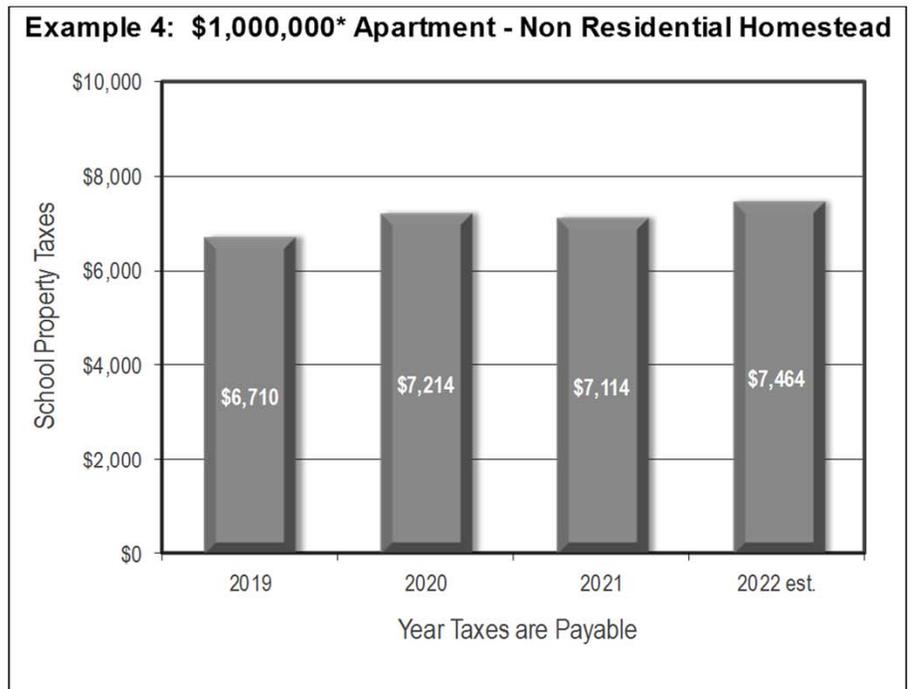
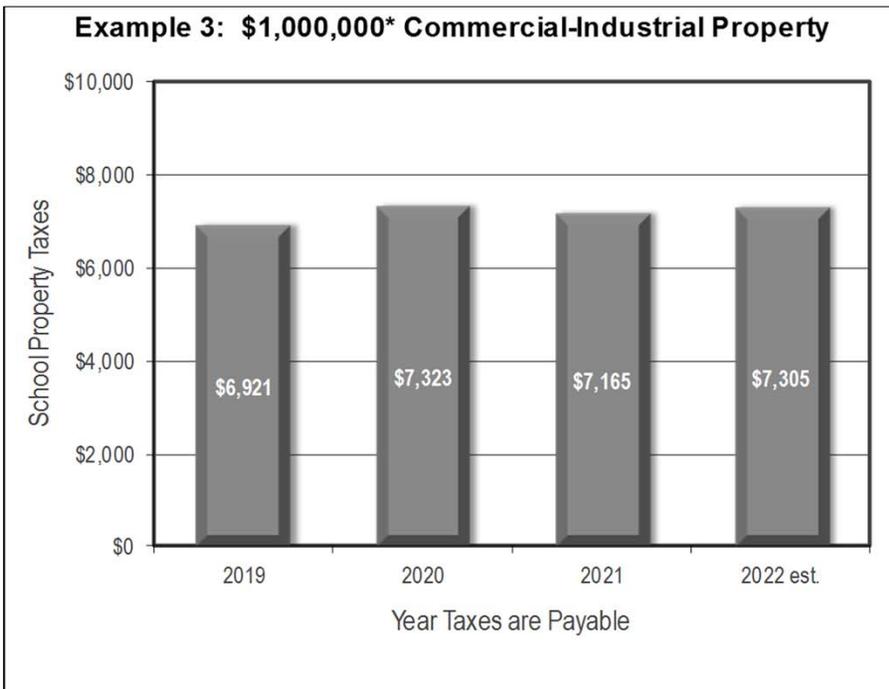


* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 6.0% from 2019 to 2020 taxes, 5.0% from 2020 to 2021, and 4.5% from 2021 to 2022.

Fridley Public Schools, ISD 14

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 16.3% Cumulative Changes in Property Value from 2019 to 2022 Taxes



* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 6.0% from 2019 to 2020 taxes, 5.0% from 2020 to 2021, and 4.5% from 2021 to 2022.

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 \$116,180 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 \$2,840
- 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 2022 property tax levy



A World-Class Community of Learners

PUBLIC COMMENTS