



Truth in Taxation 2017 Proposed Property Tax Levy

Monticello Public Schools

District Office

December 5, 2016

6:00 pm

Truth in Taxation Timeline

2016 Payable 2017 Levy

- For -

2017-2018 School Year

- Or -

FY2018



Truth in Taxation Law

- State law initially approved in 1988
- Amended in 2009
- Requirements
 - Counties must send out “proposed property tax statements” between November 11-24, based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
 - Taxing jurisdictions must present information and receive comments from audience at a regularly scheduled meeting between November 25 and December 26
 - Adopt final payable levy by December 28



Truth in Taxation Hearing

- State law requires that school districts present information on the current year budget
- State law also requires that we present information on the proposed property tax levy, including:
 - The percentage increase or decrease from the prior year
 - Specific purposes and reasons for which taxes are being increased
- District must also allow for public comment



Budget Cycle vs. Tax Levy

Unlike cities and counties, a school district does not set its budget when setting the tax levy

- Property Tax Levy
 - Final levy set in December
 - Property taxes levied on a calendar year basis
- Budget
 - Final budget approved in June, 6 months later
 - School fiscal year is July 1 through June 30
 - Mid-year budget revisions in January



Budget Information

Because approval of the budget lags behind certification of the tax levy by six months, only current year budget information will be presented at this hearing



Budget Information

- All school district budgets are divided into separate funds, based on purposes of revenue, as required by law
- For Monticello Public Schools:
 - General fund (includes the Special Ed Cooperative)
 - Food Service fund
 - Community Service fund (includes the Hockey fund)
 - Building Construction fund
 - Debt Service fund
 - OPEB Trust fund

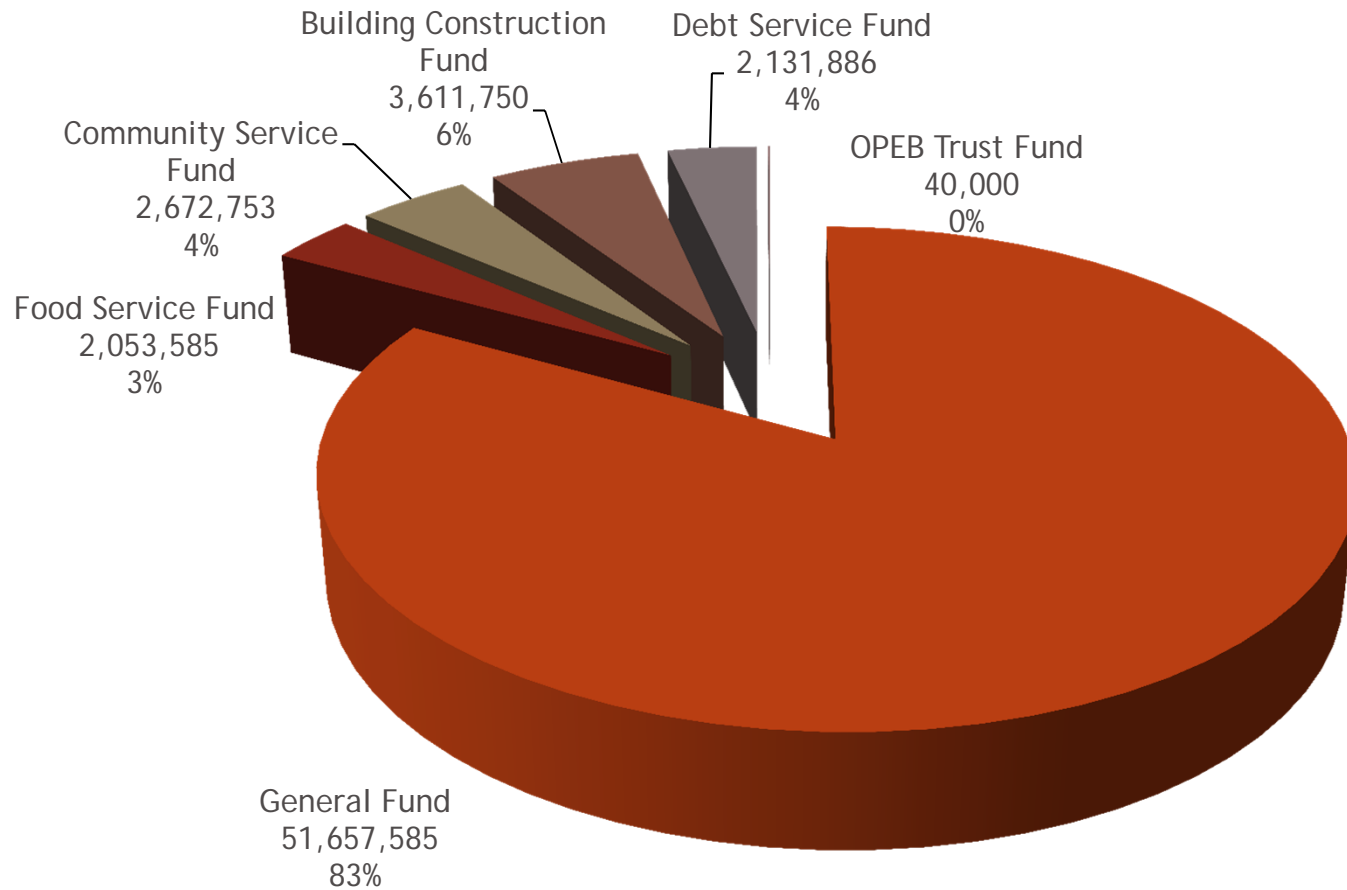


2016-2017 Adopted Budget

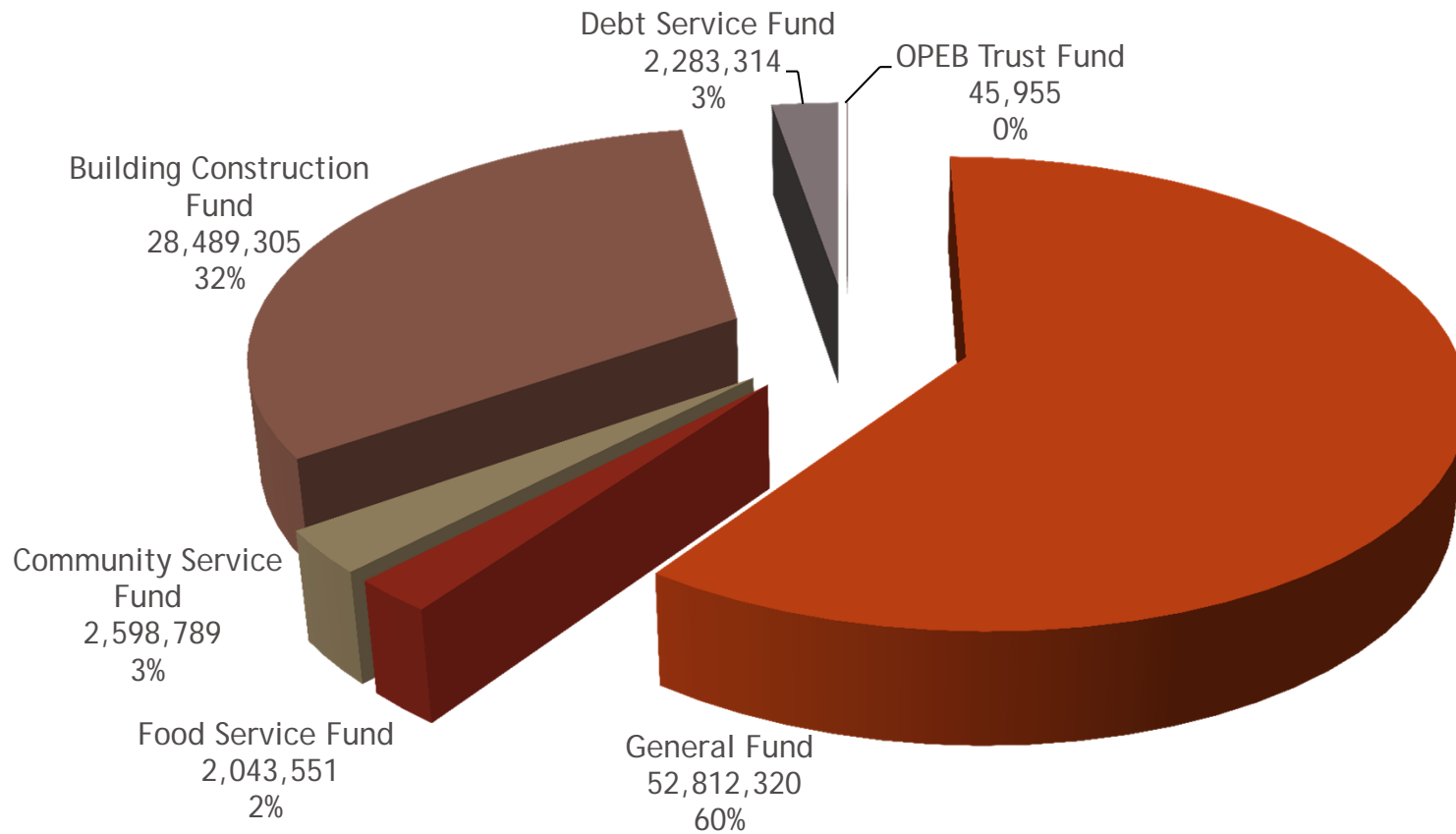
	6/30/2016 Audited Balance	Revenues	Expenditures	6/30/2017 Projected Balance
General Fund	7,028,961	51,657,585	52,812,320	5,874,226
Food Service	157,887	2,053,585	2,043,551	167,921
Community Service	740,904	2,672,753	2,598,789	814,868
Building Construction	41,982,421	3,611,750	28,489,305	17,104,866
Debt Service	807,088	2,131,886	2,283,314	655,660
OPEB Trust	1,946,793	40,000	45,955	1,940,838
Total	52,664,054	62,167,559	88,273,234	26,558,379



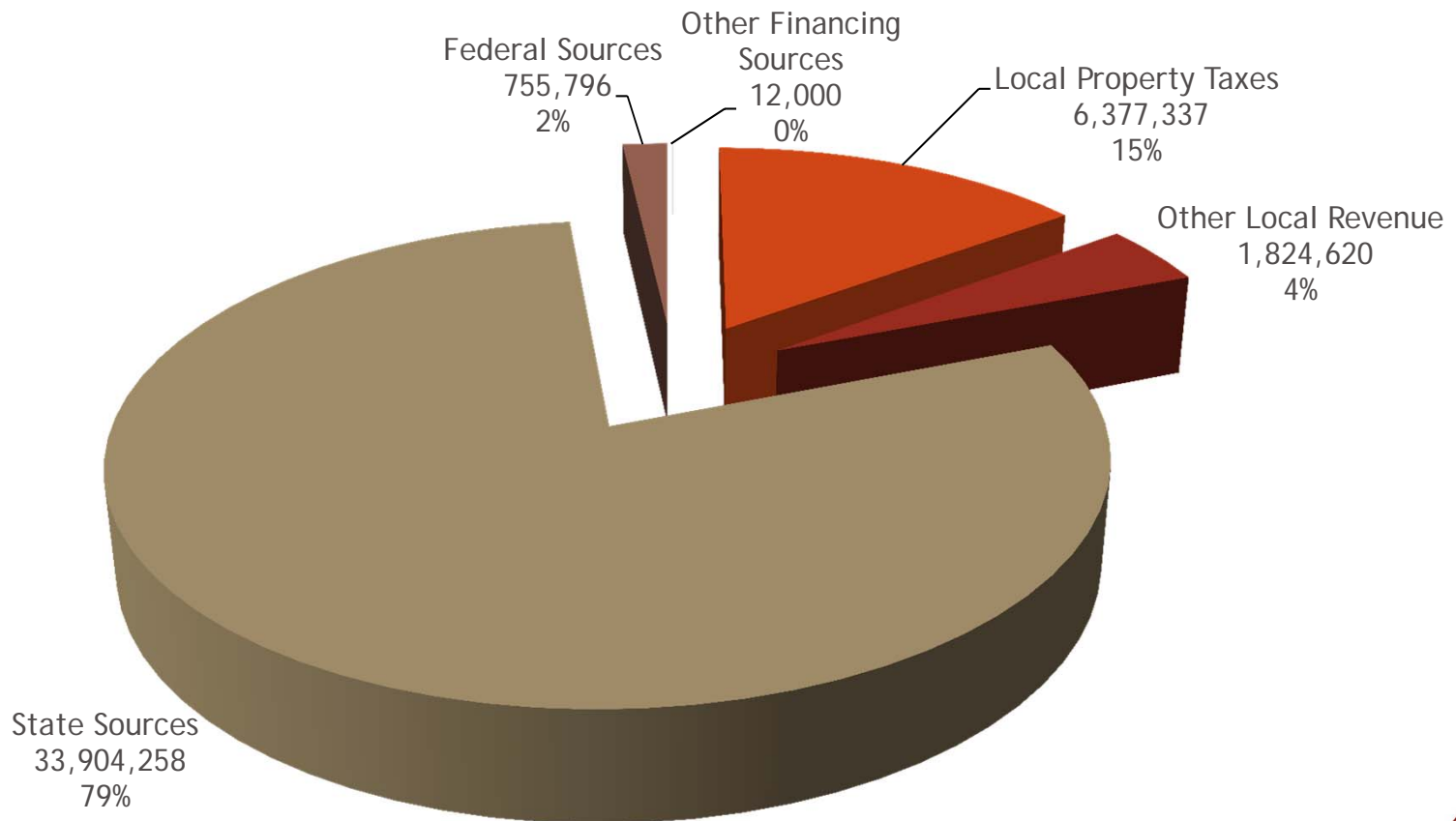
2016-2017 Revenue Budget



2016-2017 Expenditure Budget



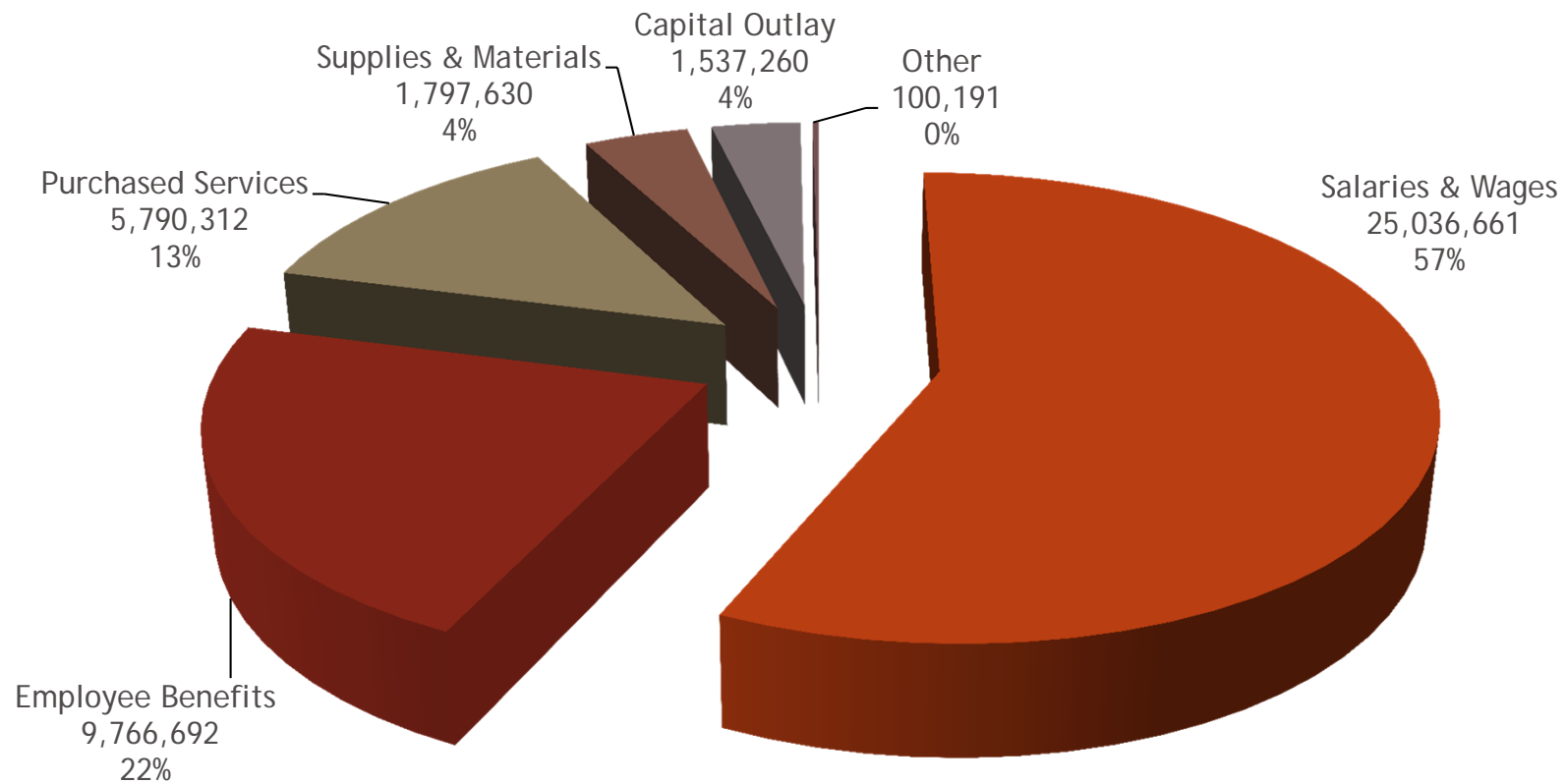
2016-2017 General Fund Rev.



**Does not include Fund 12 Sp Ed Coop*



2016-2017 General Fund Exp.



**Does not include Fund 12 Sp Ed Coop*



Proposed Levy Payable 2017

- Law requires that we explain the major changes in the levy
 - Review how taxes are determined
 - Review the major changes in the levy total and the reasons for those changes
 - Look at some specific examples of tax impact
 - Review the Minnesota Property Tax Refund programs



Proposed Levy Payable 2017

- Many factors can cause the tax bill for an individual property to increase or decrease
 - Change in value of the individual property
 - Change in 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



Proposed Levy Payable 2017

- State sets formulas which determine revenue; most revenue is based on specified amounts per pupil (other local levies)
- State sets tax policy for local schools
- State sets 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 (voter approved levies)



Minnesota School District Property Taxes- Key Steps and Participants in the Process

A. Tax Determination and Preparation

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.

Step 2. The **Legislature** sets the formulas for tax capacity (e.g. for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.

Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step A.1. and tax capacity formulas from step A.2.), as well as the total tax capacity for each school district.

Step 4. The **County Auditor** divides the final levy (determined by the school board in step B.3. by the district's total tax capacity (determined in step A.3.) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity to determine the school tax for that property.*

B. Levy Determination and Certification

Step 1. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 2. The **Minnesota Department of Education** calculates detailed levy limits for each school district based on the formulas approved by the Legislature in step B.1. These limits tell districts the exact amounts that can be levied in every category.

Step 3. The **School Board** adopts a proposed levy in September based on the limits set in step B.1. and calculated in step B.2. After a public hearing, the board adopts a final levy in December. The final levy cannot be more than the preliminary levy, except for amounts approved by voters.

*For certain levy categories (referendum, equity, and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Proposed Levy Payable 2017

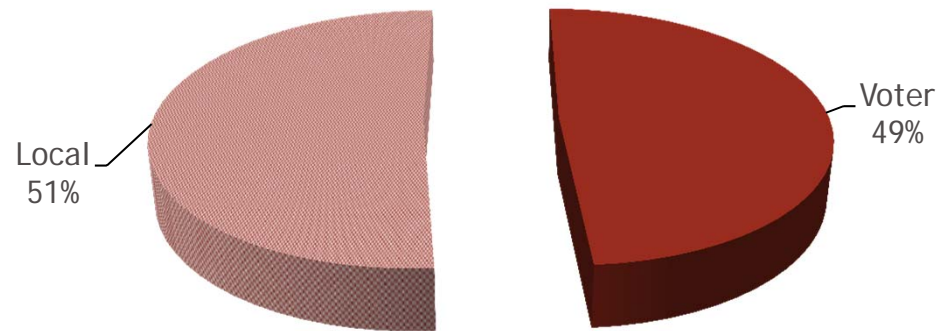
Monticello School District #882				November 23, 2016	
Comparison of Proposed Tax Levy Payable in 2017 to Actual Levy Payable in 2016 by Fund Using Final Levy Payable in 2016 as Base Year					
	2016 Final Levy	2017 Projected Levy for TNT Notices	2017 Final Projected Levy	Change from Prior Year	Percent Change
General Fund					
1 Voter Approved Referendum	\$ 1,821,278.55	\$ 2,896,736.37	2,896,736.37	1,075,457.82	
2 Equity	\$ 559,227.94	\$ 576,183.67	576,183.67	16,955.73	
3 Local Optional Revenue	\$ 1,812,372.13	\$ 1,873,486.40	1,873,486.40	61,114.27	
4 Transition	\$ 27,997.73	\$ 28,986.01	28,986.01	988.28	
5 Student Achievement	\$ 92,658.01	\$ 50,168.18	50,168.18	(42,489.83)	
6 Operating Capital	\$ 461,362.14	\$ 396,848.26	396,848.26	(64,513.88)	
7 Reemployment Ins	\$ 7,500.00	\$ 8,000.00	8,000.00	500.00	
8 Safe Schools	\$ 158,673.60	\$ 159,069.60	159,069.60	396.00	
9 Career Technical	\$ 35,076.43	\$ 42,269.37	42,269.37	7,192.94	
10 Other Postemployment Benefits	\$ 502,940.70	\$ 428,516.00	428,516.00	(74,424.70)	
11 LT Facilities Equal	\$ 446,399.12	\$ 377,924.78	377,924.78	(68,474.34)	
12 LT Facilities Unequal (WTC)	\$ 2,768,356.28	\$ 23,970.00	23,970.00	(2,744,386.28)	
13 Lease Levy	\$ 179,336.77	\$ 194,709.88	194,709.88	15,373.11	
14 General Fund Adjustments	\$ 50,542.11	\$ 714,985.10	713,399.68	662,857.57	
Total General Fund Levy	\$ 8,923,721.51	\$ 7,771,853.62	\$ 7,770,268.20	\$ (1,153,453.31)	-12.93%

Proposed Levy Payable 2017

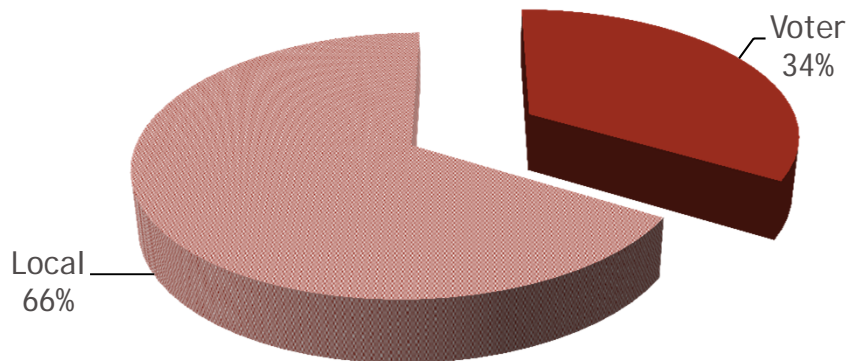
Monticello School District #882				November 23, 2016	
Comparison of Proposed Tax Levy Payable in 2017 to Actual Levy Payable in 2016 by Fund Using Final Levy Payable in 2016 as Base Year					
	2016 Final Levy	2017 Projected Levy for TNT Notices	2017 Final Projected Levy	Change from Prior Year	Percent Change
Community Service					
1 Basic Community Education	\$ 159,920.05	\$ 159,920.05	159,920.05	-	
2 Early Childhood Family Education	\$ 104,990.79	\$ 117,395.69	117,395.69	12,404.90	
3 Home Visiting	\$ 2,248.00	\$ 4,140.00	1,946.38	(301.62)	
4 Adults with Disabilities	\$ 6,900.00	\$ 6,900.00	6,900.00	-	
5 CE Adjustments	\$ 426.11	\$ (21.63)	(21.63)	(447.74)	
Total Community Service Levy	274,484.95	288,334.11	286,140.49	11,655.54	4.25%
Debt Service					
1 Voter Approved Debt Service	\$ 2,116,151.00	\$ 2,777,907.00	2,777,907.00	661,756.00	
2 LT Facilities Debt Service	\$ 254,944.80	\$ 678,758.43	678,758.43	423,813.63	
3 Reduction for Excess Fund Balance	\$ (258,222.92)	\$ (259,808.40)	(259,808.40)	(1,585.48)	
4 Debt Service Fund Adjustments	\$ 15,012.75	\$ (3,713.63)	(3,713.63)	(18,726.38)	
Total Debt Service Levy	2,127,885.63	3,193,143.40	3,193,143.40	1,065,257.77	50.06%
Total Certified Levy	11,326,092.09	11,253,331.13	11,249,552.09	(76,540.00)	-0.68%

Levy Limitation Comparison

2017 Final Projected Tax Levy



2016 Tax Levy



Explanation of Levy Changes

- Category: Voter Approved Referendum
- Change: +1,075,458
- Use of funds: general operating expenses
- Reason for increase:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - Because the District's total property value increased, share of funding provided through tax levy increased
 - On November 3, 2015, voters approved an operating referendum question of \$775 per pupil
 - The levy was proposed to start in 2017



Explanation of Levy Changes

- Category: Local Optional
- Change: +61,114
- Use of funds: general operating expenses
- Reason for increase:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - Local Optional revenue will increase due to increasing property values and, thus, a lesser portion being paid by state aid



Explanation of Levy Changes

- Category: Operating Capital
- Change: -64,514
- Use of funds: equipment, building maintenance, and other capital expenses
- Reason for decrease:
 - Funding for this program is provided through a combination of state aid and local tax levies
 - When 2015 legislation created a new category of revenue (LTFM), the local share of operating capital revenue was reduced to offset the tax impact of new revenue



Explanation of Levy Changes

- Category: Other Postemployment Benefits
- Change: -74,425
- Use of funds: other post employment benefit costs
- Reason for decrease:
 - The district realized a reduction in health insurance premiums for the October 1, 2015 plan year



Explanation of Levy Changes

- Category: Long-Term Facilities Maintenance
- Change: -2,812,861
- Use of funds: state approved projects on 10 year facilities plan
- Reason for decrease:
 - Middle School HVAC project was mainly funded by a pay-as-you-go levy for a one time levy increase
 - This was a plan decrease in property tax levy to accommodate the referendum increases in 2017



Explanation of Levy Changes

- Category: General Fund Adjustments
- Change: +662,858
- Use of funds: general operating expenses
- Reason for increase:
 - Annually, the Minnesota Department of Education adjusts final program revenues to actual final expenditures or final allocations for per student-based funding programs
 - Adjustments this year are primarily in the areas of long-term facility maintenance, health & safety, and a TIF reduction



Explanation of Levy Changes

- Category: Voter-Approved Debt Service
- Change: +661,756
- Use of funds: principal and interest on voter-approved building bonds
- Reason for increase:
 - On November 3, 2015, voters approved a \$39,325,000 bond referendum
 - Increase in principal and interest payments based on payment schedule



Explanation of Levy Changes

- Category: Long-Term Facility Debt Service
- Change: +423,814
- Use of funds: principal and interest on Long-Term Facility Maintenance Revenue bonds
- Reason for increase:
 - Districts can issue bonds for the program, levy on a pay-as-you-go basis, or a combination of the two
 - Increase in principal and interest payments based on payment schedule
 - Issuance of 2nd LTFMR bond



Proposed Levy Payable 2017

Monticello School District #882 Analysis of Impact of Proposed 2017 Tax Levy and Rates Using Final Levy Payable in 2016 as Base Year		
Tax Rate Calculations Used for Truth in Taxation Notices	2016 Final Levy	2017 Projected Levy
Net Levy on Referendum Market Value	4,200,533	5,374,593
Total Referendum Market Value	2,386,170,375	2,532,024,275
Total RMV Tax Rate (applied to Estimated Market Value)	0.17604%	0.21227%
Net Levy on Net Tax Capacity	7,125,559	5,874,959
Net Tax Capacity Value	34,163,252	36,195,486
Total NTC Tax Rate (applied to Taxable Market Value)	20.8570%	16.2420%



Impact of Taxpayers

- Following are tables and graphs showing examples of changes in the school district portion of property taxes from 2014 to 2017
 - Actual changes in value may be more or less than this for any parcel of property
 - Amounts for 2017 are preliminary estimates, based on best data available now - final figures could change slightly
 - Estimates were prepared by Ehlers (District's financial advisors)



Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on No Increases in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2014	Actual Taxes Payable in 2015	Actual Taxes Payable in 2016	Estimated Taxes Payable in 2017	Change in Taxes 2014 to 2017	Change in Taxes 2016 to 2017
Residential Homestead	\$100,000	\$394	\$331	\$326	\$329	-\$65	\$3
	125,000	518	434	427	426	-92	-1
	150,000	643	538	527	523	-120	-4
	175,000	768	642	628	621	-147	-7
	200,000	893	746	729	718	-175	-11
	250,000	1,142	954	931	913	-229	-18
	300,000	1,392	1,162	1,132	1,107	-285	-25
	350,000	1,641	1,370	1,334	1,302	-339	-32
	400,000	1,891	1,578	1,536	1,497	-394	-39
500,000	2,368	1,976	1,923	1,873	-495	-50	

Tax Rates	
Tax Capacity Rate	28.269 22.882 20.857 16.242
Referendum Market Value Rate	0.19086 0.16632 0.17604 0.21226

General Notes

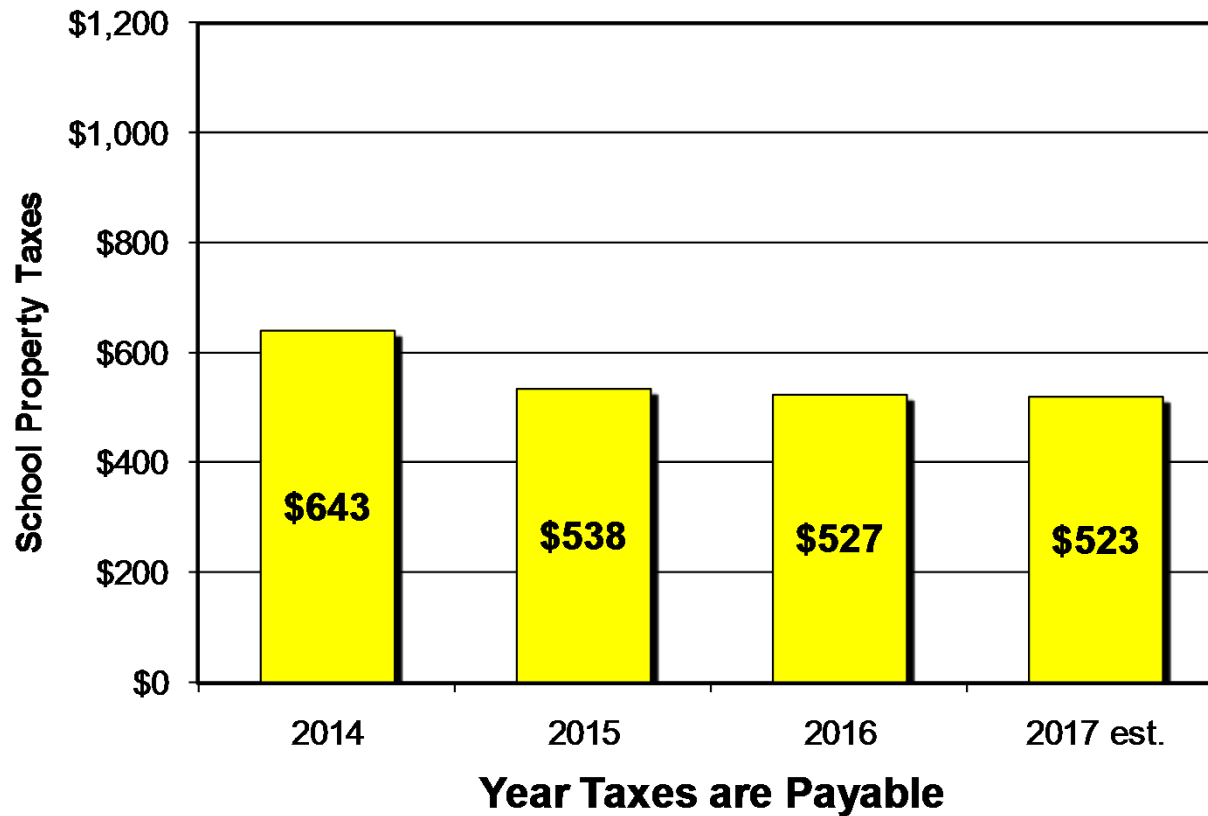
1. The figures in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2017 are preliminary, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2014 through 2017.

Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on No Increases in Property Values

Example 1: \$150,000* Residential Homestead Property



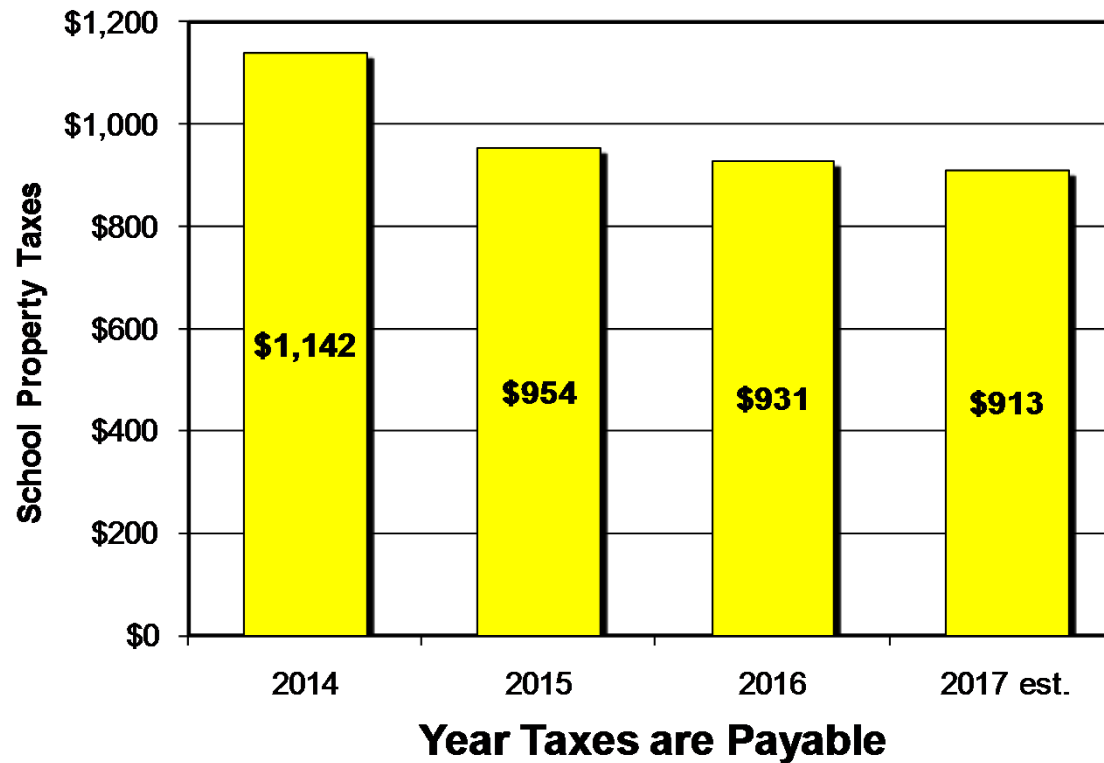
* The value shown in the title of the chart is the estimated market value for taxes payable in 2017. Taxes are calculated based on no change in market value from 2014 to 2017.

Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on No Increases in Property Values

Example 4: \$250,000* Residential Homestead Property



* The value shown in the title of the chart is the estimated market value for taxes payable in 2017. Taxes are calculated based on no change in market value from 2014 to 2017.

Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 15.8% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Type of Property	Estimated Market Value for 2014 Taxes	Actual Taxes Payable in 2014	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	Estimated Taxes Payable in 2017	Change in Taxes 2014 to 2017	Change in Taxes 2016 to 2017
Residential Homestead	\$86,384	\$326	\$90,703	\$292	\$95,238	\$307	\$100,000	\$329	\$3	\$22
	107,980	434	113,379	386	119,048	403	125,000	426	-8	23
	129,576	541	136,054	480	142,857	499	150,000	523	-18	24
	151,172	649	158,730	575	166,667	595	175,000	621	-28	26
	172,768	757	181,406	669	190,476	691	200,000	718	-39	27
	215,959	972	226,757	857	238,095	883	250,000	913	-59	30
	259,151	1,188	272,109	1,046	285,714	1,075	300,000	1,107	-81	32
	302,343	1,403	317,460	1,235	333,333	1,267	350,000	1,302	-101	35
	345,535	1,619	362,812	1,423	380,952	1,459	400,000	1,497	-122	38
431,919	2,045	453,515	1,792	476,190	1,831	500,000	1,873	-172	42	

Tax Rates	
Tax Capacity Rate	28.269
Referendum Market Value Ra	0.19086
	22.882
	0.16632
	20.857
	0.17604
	16.242
	0.21226

General Notes

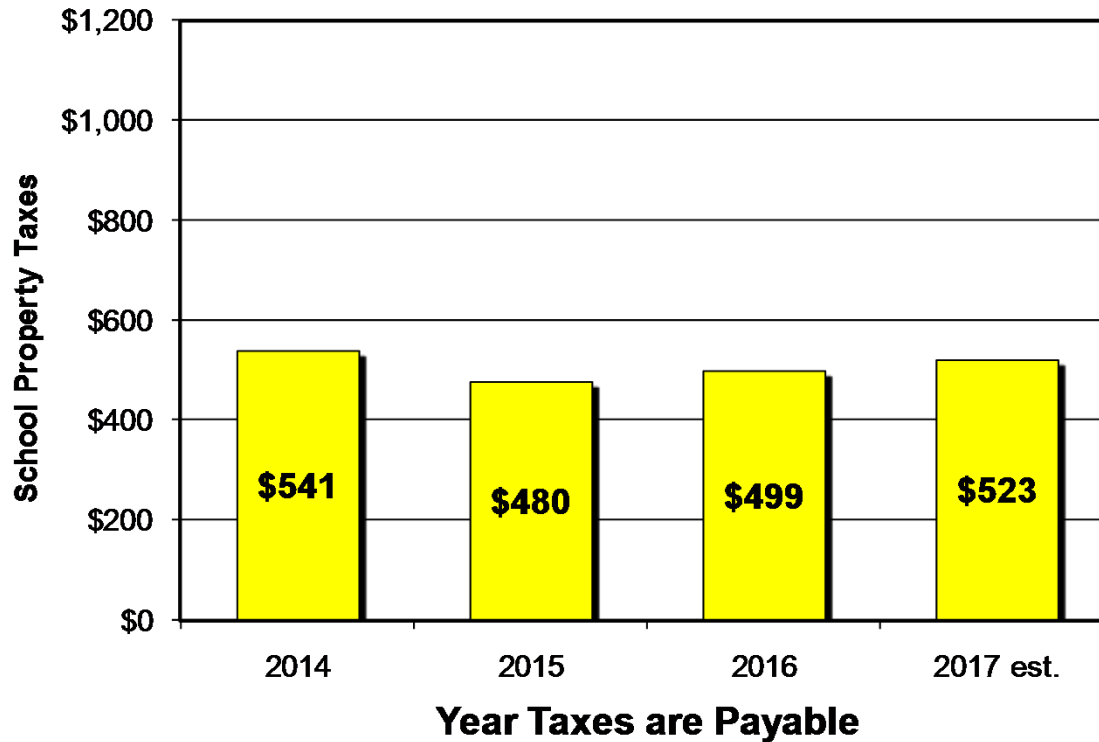
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2. Estimates of taxes payable in 2017 are preliminary, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of 5.0% from 2014 to 2015 taxes, 5.0% from 2015 to 2016, and 5.0% from 2016 to 2017.

Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 15.8% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Example 1a: \$150,000* Residential Homestead Property



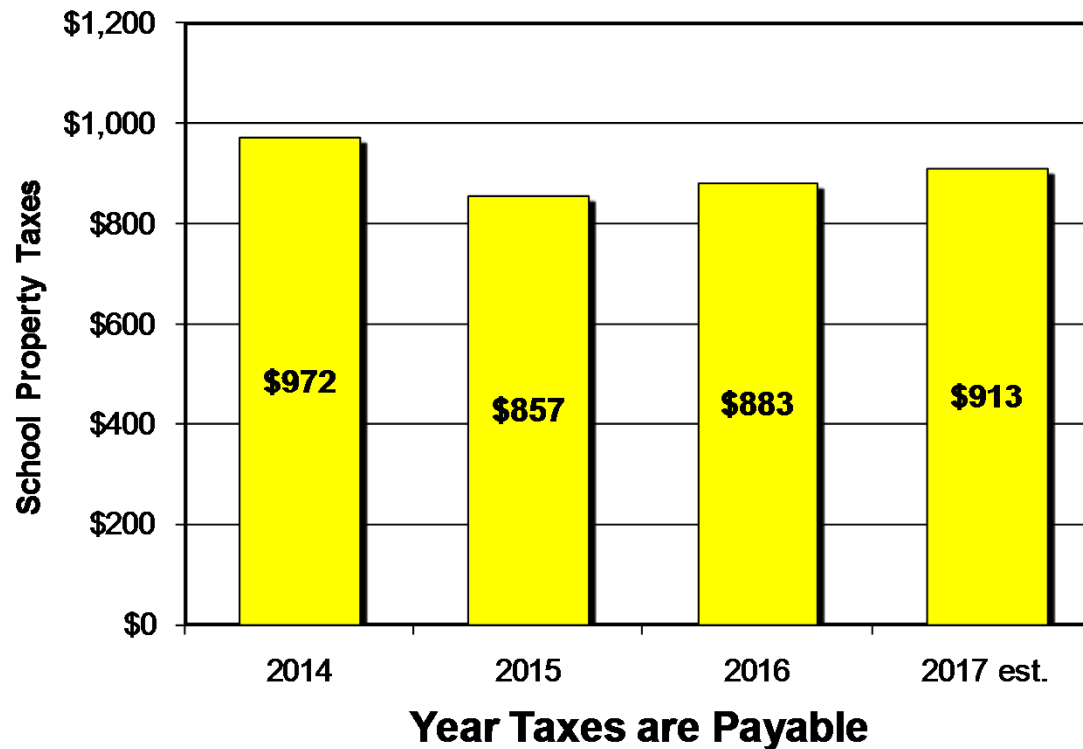
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Monticello School District No. 882

Estimated Changes in School Property Taxes, 2014 to 2017

Based on 15.8% Cumulative Changes in Property Value from 2014 to 2017 Taxes

Example 4a: \$250,000* Residential Homestead Property



* The value shown in the title of the chart is the estimated market value for taxes payable in 2017. Taxes are calculated based on changes market value of 5.0% from 2014 to 2015 taxes, 5.0% from 2015 to 2016, and 5.0% from 2016 to 2017.

State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue website at www.taxes.state.mn.us



State Property Tax Refunds

- Minnesota Property Tax Refund (aka “Circuit Breaker” Refund)
- Special Property Tax Refund
- Senior Citizen Property Tax Deferral



Final Levy Adoption

DATE: December 12, 2016
TIME: 6:00 pm
PLACE: Monticello Middle School
Board Room

