

INDEPENDENT SCHOOL DISTRICT #832
TRUTH-IN-TAXATION HEARING – BOARD OF EDUCATION
Thursday, November 29, 2007 - 7:00 PM
Mahtomedi District Education Center - Community Room

The Mission of the Mahtomedi School District No. 832, as a multi-community public school system, is to provide individually challenging, lifelong learning experiences for all people, leading to productive and self-fulfilling roles in a global society, accomplished through partnerships with students, families, staff and communities all committed to excellence.

- AGENDA -

1. Convene Hearing
2. Review of Proposed Levy for Pay 2008 (2008-2009 School Year) 2
3. Questions/Comments
4. Close Hearing

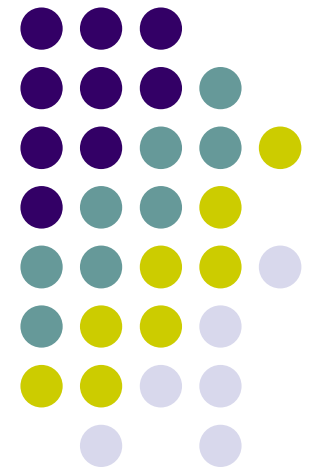
Mahtomedi Public Schools Truth in Taxation Hearing for Taxes Payable in 2008

November 29, 2007

Presented by:

Denise Sundstrom

Director of Business Services

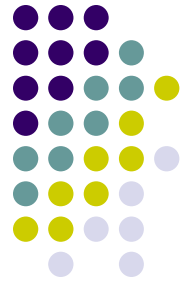


Agenda for Hearing



- A. Background on School Funding, Property Tax Levies, and Budgets
- B. Information on District Budget
- C. Information on the District's Proposed Tax Levy for Taxes Payable in 2008
- D. Public Comments and Questions

School District Revenues and Taxes Are Highly Regulated by the State



- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil
- **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

State Funding for Schools Has Not Kept Pace with Inflation



- Increases in basic general education revenue per pupil have been less than inflation
 - Per-pupil revenue for fiscal year 2008-09 is \$220 below the 2002-03 inflation adjusted amount
- For Fiscal 2008-09, per-pupil funding will increase by only 1%, while most districts' expenses are increasing by at least 3-4% per year
- To meet budget shortfalls, 100 Minnesota districts submitted proposals to voters on November 6th seeking support of increased operating levies

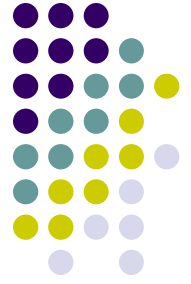
Trends in General Education Formula Allowance for Minnesota School Districts FY 03 – FY 09

| Fiscal Year | Formula Allowance | CPI-U (2006=1.0) * | Formula Allowance in 2009 \$s | Change Since 2002-03 |
|--------------------|--------------------------|---------------------------|--------------------------------------|-----------------------------|
| 2002-03 | 4,601 | 0.9153 | 5,344 | 0 |
| 2003-04 | 4,601 | 0.0% | 5,230 | -114 |
| 2004-05 | 4,601 | 0.0% | 5,077 | -267 |
| 2005-06 | 4,783 | 4.0% | 5,085 | -259 |
| 2006-07 | 4,974 | 4.0% | 5,175 | -169 |
| 2007-08 | 5,074 | 2.0% | 5,173 | -171 |
| 2008-09 | 5,124 | 1.0% | 5,124 | -220 |

SOURCE: Formula Allowance and CPI-U are from MN Dept. of Education, *K-12 Education Finance Overview, 2007-08*

* Consumer Price Index for all urban consumers for the Minneapolis-St. Paul area. For fiscal years after 2005-06, figures are estimates used for the State of Minnesota February 2007 budget forecast.

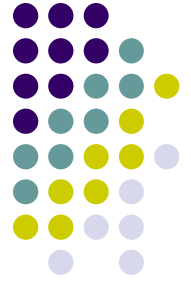
School Levy vs. Budget Cycle



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 calendar year basis

- **Budget**
 - Final budget approved in June, 6 months later
 - School fiscal year is July 1 through June 30



Change in Tax Levy Does not Determine Change in Budget

- Tax levy is based on many state-determined formulas
- ∞ ● 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, not just by tax levies

Budget Information



6 Because approval of the budget lags certification of the tax levy by six months, the state requires only current year budget information and prior year actual financial results to be presented at this hearing.



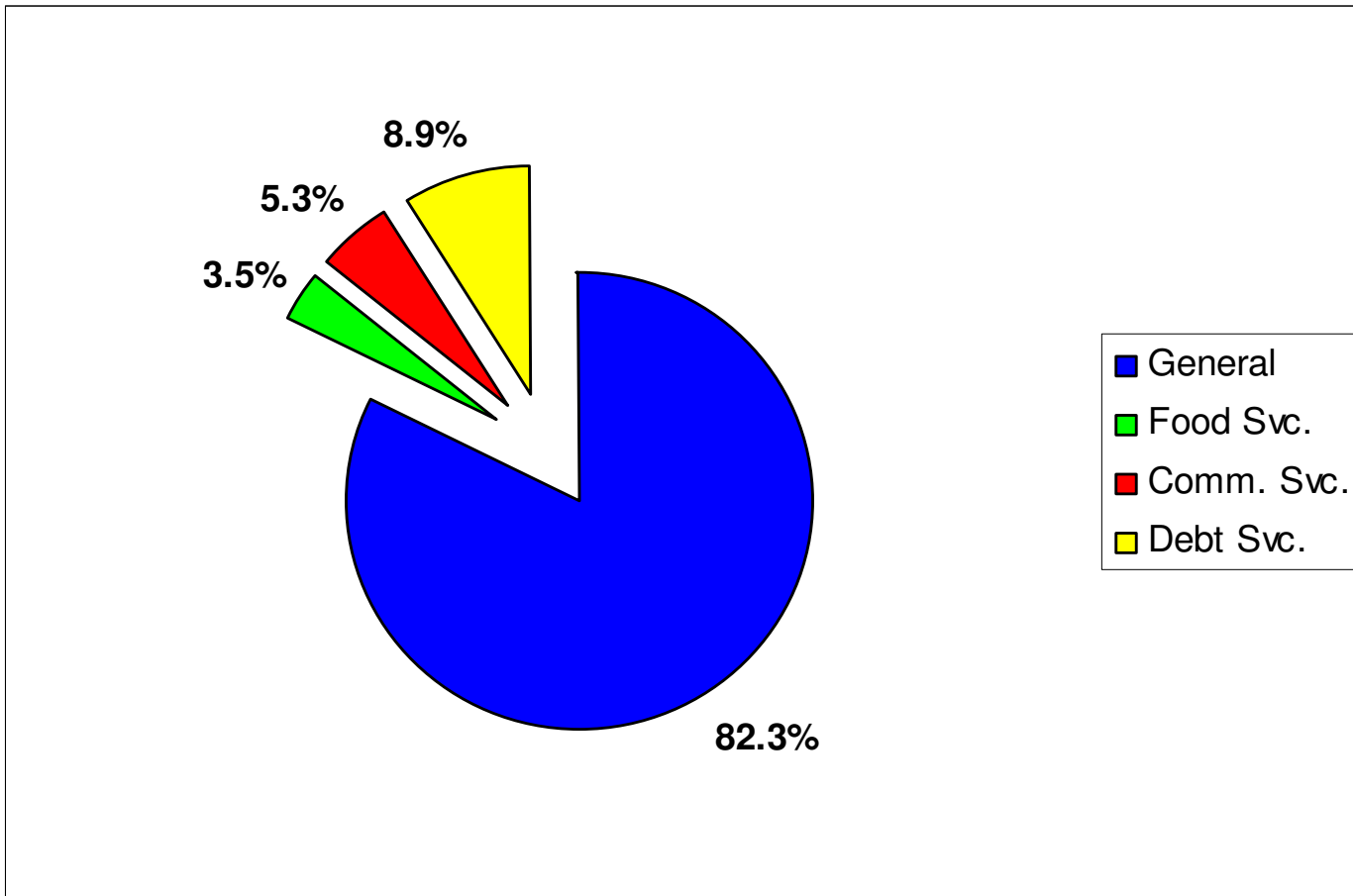
Budget Information

- All school districts' budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 4 funds:
 - General fund (includes former transportation and capital expenditure funds)
 - Food service fund
 - Community service fund
 - Debt service fund

Mahtomedi Independent School District No. 832
District Revenues and Expenditures
Actual for FY 07, Budget for FY 08

| FUND | 2006-2007 ACTUAL REVENUES AND TRANSFERS IN | 2006-2007 ACTUAL EXPENDITURES & TRANSFERS OUT | JUNE 30, 2007 ACTUAL FUND BALANCE | 2007-08 BUDGET REVENUES AND TRANSFERS IN | 2007-08 BUDGET EXPENDITURES & TRANSFERS OUT | JUNE 30, 2008 PROJECTED FUND BALANCE |
|-------------------|--|---|---|--|---|--|
| General | \$27,445,002 | \$27,662,674 | \$2,979,822 | \$28,028,785 | \$28,022,532 | \$2,986,075 |
| Food Service | \$1,164,080 | \$1,114,367 | \$211,413 | \$1,184,100 | \$1,166,139 | \$229,374 |
| Community Service | \$1,916,127 | \$1,929,455 | \$231,407 | \$1,804,919 | \$1,836,482 | \$199,844 |
| Debt Redemption | \$2,990,708 | \$2,903,543 | \$741,678 | \$3,022,979 | \$2,930,979 | \$833,678 |
| Total All Funds | \$33,515,917 | \$33,610,039 | \$4,164,320 | \$34,040,783 | \$33,956,132 | \$4,248,971 |

2007-08 Revenues by Fund

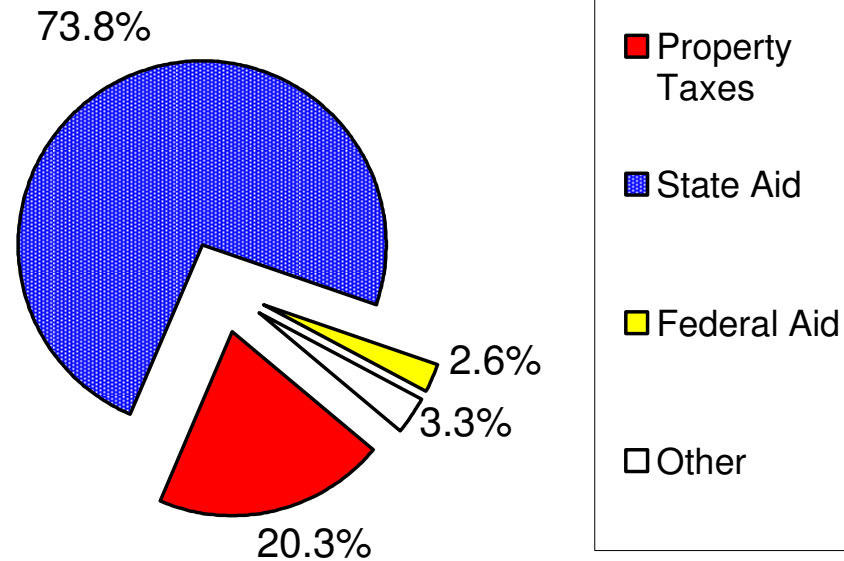


General Fund Budget Highlights



2007-08 General Fund Budget Revenues by Major Source

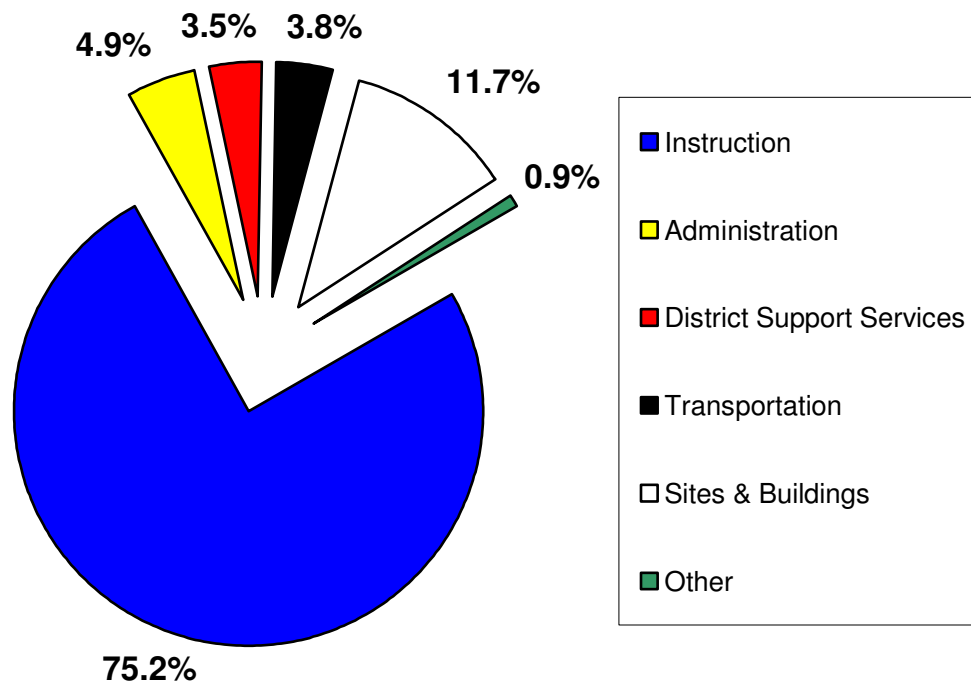
| | |
|----------------|------------------|
| Property Taxes | 5,679,585 |
| State Aid | 20,679,168 |
| Federal Aid | 737,432 |
| Other | 932,600 |
| <hr/> Total | <hr/> 28,028,785 |



General Fund Budget Highlights

2007-08 General Fund Budget Expenditures by Major Program Area

| | |
|-----------------------------|---------------------|
| Regular Instruction | \$14,081,720 |
| Vocational Instruction | 784,297 |
| Special Educ. Instruction | 4,116,075 |
| Instructional/Support Svcs. | <u>2,102,045</u> |
| Instruction | \$21,084,137 |
| Administration | 1,364,961 |
| District Support Services | 988,413 |
| Transportation | 1,055,953 |
| Sites & Buildings | 3,267,698 |
| Other | 261,370 |
| Total | \$28,022,532 |

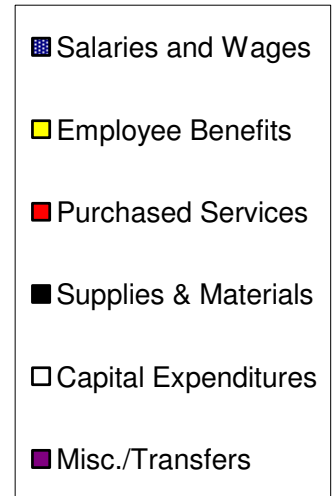
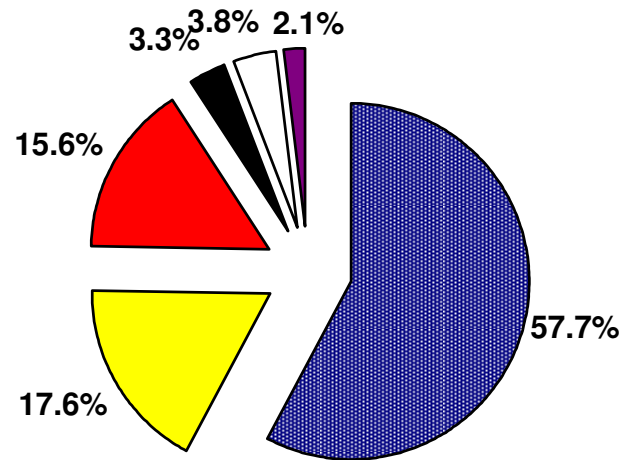


General Fund Budget Highlights



**2007-08 General Fund Budget
Expenditures by Object Category**

| | | |
|---------|----------------------|-------------------|
| 100 | Salaries and Wages | 16,166,326 |
| 200 | Employee Benefits | 4,934,351 |
| 300 | Purchased Services | 4,363,614 |
| 400 | Supplies & Materials | 910,887 |
| 500 | Capital Expenditures | 1,068,655 |
| 600-800 | Misc./Transfers | <u>578,699</u> |
| | Total | 28,022,532 |



Proposed 2008 Property Tax Levy



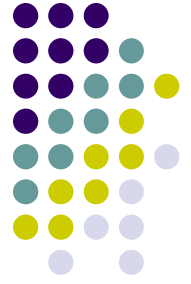
- Determination of levy
- Comparison 2007 to 2008 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers

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

Property Tax Background



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

Minnesota School District Property Taxes - Key Steps in the Process

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 1 and tax capacity formulas from step 2), as well as the total tax capacity for each school district.

Step 7. The **County Auditor** divides the final levy (determined by the school board in step 6) by the district's total tax capacity (determined in step 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.*

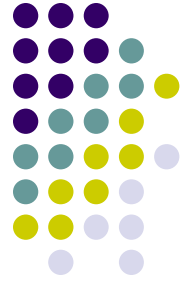
Step 4. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 5. The **Minnesota Department of Education** calculates detailed levy limits for each school district, based on the formulas approved by the Legislature in step 4. These limits tell districts the exact amounts that can be levied in every category.

Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. 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 in 2008



- Schedule of events in approval of district's 2007 (Payable 2008) tax levy
 - Early September – Dept. of Education prepared and distributed first draft of levy limit worksheets setting maximum authorized levy
 - Sept. 13: School board approved proposed levy amounts
 - Mid-November: County mailed “Proposed Property Tax Statements” to all property owners
 - November 29: Public hearing on proposed levy
 - December 13: Continuation hearing (if needed)
 - December 13: School board will certify final levy amounts

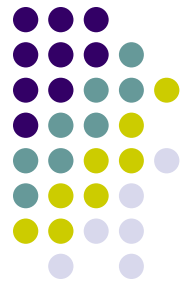
Proposed Levy Payable in 2008

Mahtomedi Public School District No. 832

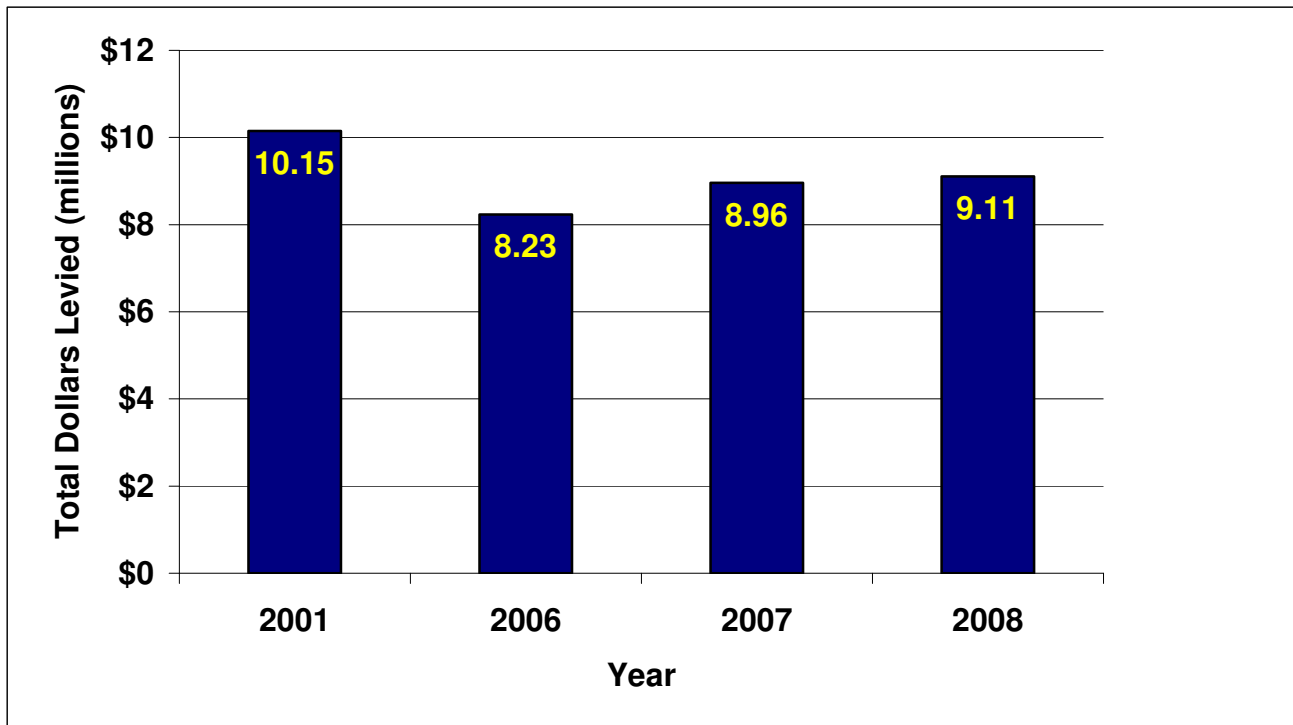
Comparison of Proposed Tax Levy Payable in 2008 to Actual Levy Payable in 2007

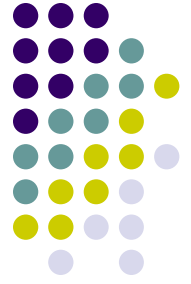
| Fund Levy Category | Actual Levy Payable in 2007 | Proposed Levy Payable in 2008 | Change | Percent Change |
|--------------------------------------|-----------------------------|-------------------------------|-------------------|----------------|
| General Fund | | | | |
| Voter Approved Referendum | \$3,494,855 | \$3,472,465 | (\$22,389) | |
| Equity and Transition | \$332,322 | \$363,782 | 31,460 | |
| Alt. Facilities/Health & Safety | 124,318 | 101,638 | (22,680) | |
| Capital Projects - Technology Levy | 559,286 | 619,462 | 60,176 | |
| Operating Capital | 447,406 | 478,433 | 31,027 | |
| Judgment | 0 | 60,000 | 60,000 | |
| Other | 749,771 | 797,446 | 47,675 | |
| Adjustments for Prior Years | (48,372) | (113,144) | (64,772) | |
| Total, General Fund | \$5,659,585 | \$5,780,082 | \$120,496 | 2.1% |
| Community Service Fund | | | | |
| Early Childhood Family Education | 92,466 | 53,525 | (\$38,941) | |
| School-Age Child Care | 60,000 | 73,000 | 13,000 | |
| Other | 116,628 | 116,532 | (96) | |
| Adjustments for Prior Years | 44,448 | (6,202) | (50,650) | |
| Total, Community Service Fund | \$313,541 | \$236,854 | (\$76,687) | -24.5% |
| Debt Service Fund | | | | |
| Voter Approved Debt Service | \$3,013,345 | \$3,259,175 | \$245,830 | |
| Other Debt Service | 71,667 | 71,017 | (649) | |
| Adjustments for Prior Years | 459 | 120 | (339) | |
| Reduction for Excess Fund Balance | (102,492) | (241,146) | (138,654) | |
| Total, Debt Service Fund | \$2,982,979 | \$3,089,166 | \$106,188 | 3.6% |
| Total Levy, All Funds | \$8,956,105 | \$9,106,103 | \$149,997 | 1.7% |

Is the Mahtomedi School District receiving more money from property taxes than seven years ago?



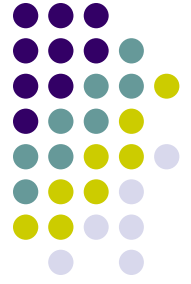
No. Even though some taxpayers may be paying more property taxes to the school district, others are paying less. In aggregate, the District is levying 10.3%, or \$1.0 million less in 2008 than seven years ago in 2001.





Impact on Taxpayers

- The next 2 slides show examples of changes in the school district portion of property taxes from 2005 to 2008
 - Examples include school district taxes only
 - All examples are based on an increase in property value of 20.1% over this period
 - Actual increases 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



Impact on Taxpayers

- Examples are based on taxes for the City of Mahtomedi
 - school taxes in other parts of the district may be slightly higher or lower, due to variations in the impact of the state homestead and agricultural credits and the Fiscal Disparities Program
- Figures for 2008 are preliminary estimates, based on the best data available now – final figures could change slightly
- Estimates were prepared by Ehlers & Associates, the district's financial advisors

Mahtomedi School District No. 832

November 26, 2007

Estimated Changes in School Property Taxes, 2005 to 2008

Based on 20.1% Cumulative Increases in Property Value from 2005 to 2008 Taxes

| Type of Property | Taxable Market Value for 2005 Taxes | Actual Taxes Payable in 2005 | Taxable Market Value for 2006 Taxes | Actual Taxes Payable in 2006 | Taxable Market Value for 2007 Taxes | Actual Taxes Payable in 2007 | Taxable Market Value for 2008 Taxes | Estimated Taxes Payable in 2008 | | | Change in Taxes 2005 to 2008 | Change in Taxes 2007 to 2008 |
|-----------------------|-------------------------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|---------------------------------|-----------------------------------|------------|------------------------------|------------------------------|
| | | | | | | | | Proposed Tax Statement | Alternative Teacher Compensation* | Est. Final | | |
| Residential Homestead | \$124,855 | \$446 | \$134,844 | \$484 | \$145,631 | \$517 | \$150,000 | \$538 | -\$14 | \$524 | \$78 | \$7 |
| | 166,474 | 628 | 179,791 | 680 | 194,175 | 725 | 200,000 | 753 | -19 | 734 | 106 | 9 |
| | 208,092 | 811 | 224,739 | 875 | 242,718 | 933 | 250,000 | 968 | -24 | 944 | 133 | 11 |
| | 249,710 | 993 | 269,687 | 1,071 | 291,262 | 1,141 | 300,000 | 1,183 | -29 | 1,154 | 161 | 13 |
| | 291,329 | 1,176 | 314,635 | 1,266 | 339,806 | 1,349 | 350,000 | 1,398 | -34 | 1,364 | 188 | 15 |
| | 332,947 | 1,358 | 359,583 | 1,462 | 388,350 | 1,557 | 400,000 | 1,613 | -38 | 1,575 | 217 | 18 |
| | 374,566 | 1,541 | 404,531 | 1,657 | 436,893 | 1,765 | 450,000 | 1,818 | -43 | 1,775 | 234 | 10 |
| | 416,184 | 1,723 | 449,479 | 1,844 | 485,437 | 1,963 | 500,000 | 2,020 | -48 | 1,972 | 249 | 9 |
| | 457,802 | 1,895 | 494,426 | 2,028 | 533,981 | 2,179 | 550,000 | 2,252 | -54 | 2,198 | 303 | 19 |
| | 499,421 | 2,067 | 539,374 | 2,235 | 582,524 | 2,403 | 600,000 | 2,483 | -60 | 2,423 | 356 | 20 |
| | 541,039 | 2,264 | 584,322 | 2,446 | 631,068 | 2,627 | 650,000 | 2,715 | -66 | 2,649 | 385 | 22 |
| | 582,657 | 2,462 | 629,270 | 2,656 | 679,612 | 2,850 | 700,000 | 2,947 | -72 | 2,875 | 413 | 25 |
| | 624,276 | 2,659 | 674,218 | 2,866 | 728,155 | 3,074 | 750,000 | 3,178 | -78 | 3,100 | 441 | 26 |
| | 665,894 | 2,857 | 719,166 | 3,077 | 776,699 | 3,298 | 800,000 | 3,410 | -84 | 3,326 | 469 | 28 |
| | 749,131 | 3,251 | 809,061 | 3,497 | 873,786 | 3,746 | 900,000 | 3,873 | -96 | 3,777 | 526 | 31 |
| 832,368 | 3,646 | 898,957 | 3,918 | 970,874 | 4,193 | 1,000,000 | 4,336 | -108 | 4,228 | 582 | 35 | |

| Tax Rates | | | | | | | |
|------------------------------|---------|---------|---------|---------|---------|---------|--|
| Tax Capacity Rate | 24.144 | 23.009 | 22.628 | 23.650 | -0.961 | 22.689 | |
| Referendum Market Value Rate | 0.17250 | 0.18017 | 0.17818 | 0.16755 | 0.00000 | 0.16755 | |

* The alternative teacher compensation levy was included on the proposed levy, but will not be levied for taxes payable 2008.
 + Figures above are for property in the City of Mahtomedi. Since the portion of the homestead credit deducted from school district taxes varies across municipalities, school taxes may be slightly different than shown above for homestead property in other portions of the school district.

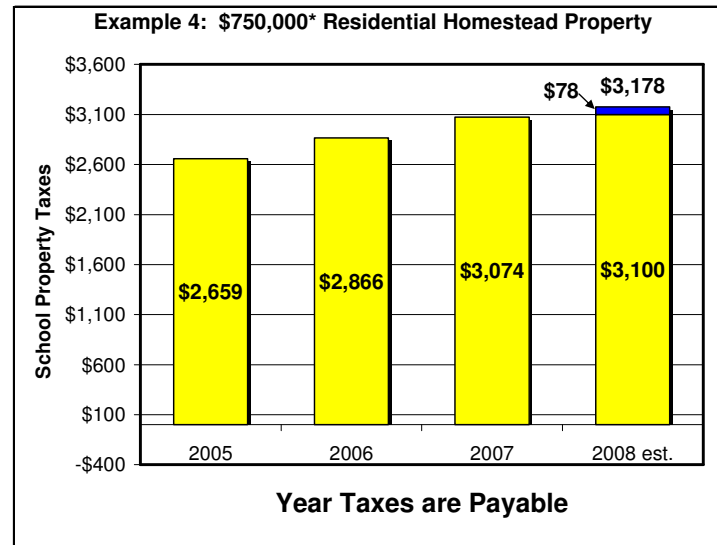
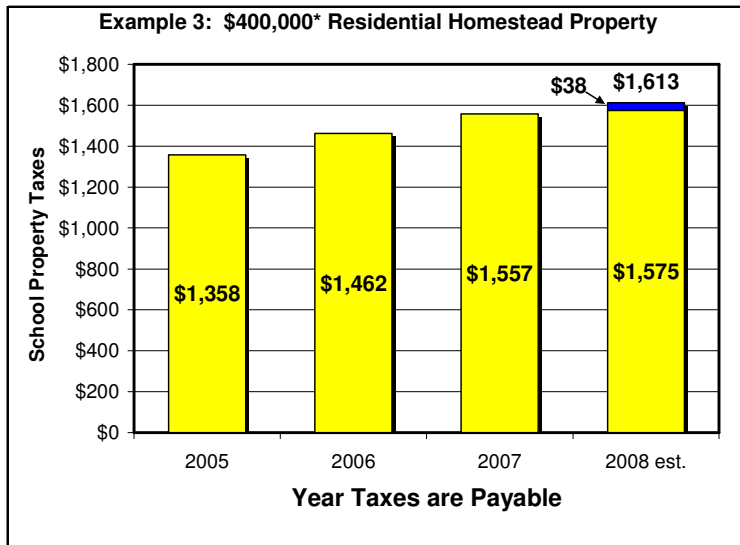
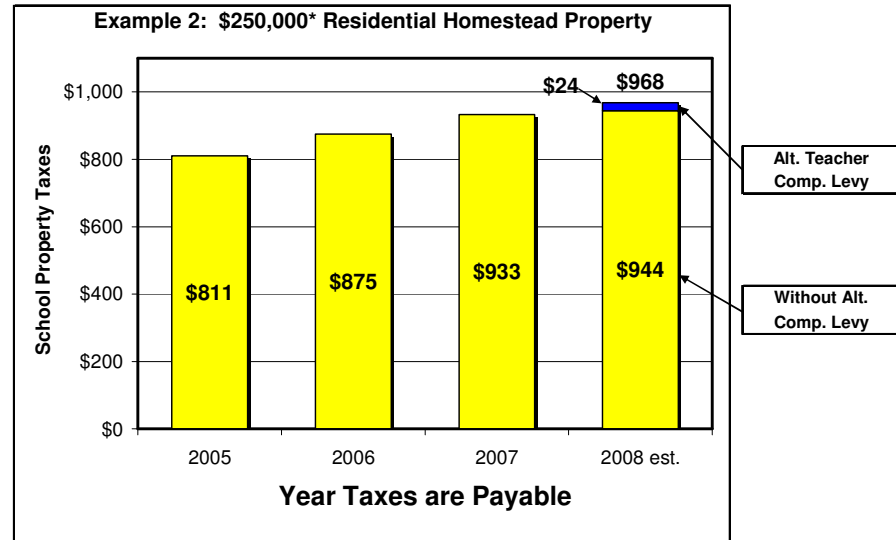
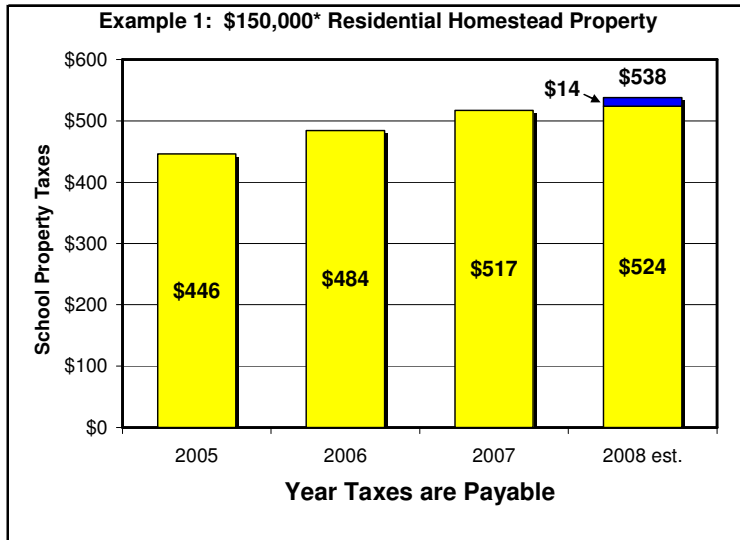
General Notes

1. The figures in the table are based on school district taxes only, and do not include tax levies for the city or township, county, state, or other taxing jurisdictions.
2. All estimates for 2008 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 increases in taxable market value of 8.0% from 2005 to 2006 taxes, 8.0% from 2006 to 2007, and 3.0% from 2007 to 2008.

Mahtomedi School District No. 832

Estimated Changes in School Property Taxes, 2005 to 2008

Based on 20.1% Cumulative Increases in Property Value from 2005 to 2008 Taxes



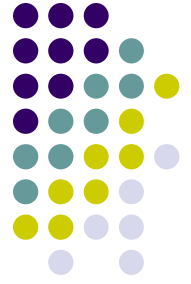
* For all four examples of properties, the value shown in the title of the chart is the taxable market value for taxes payable in 2008. Taxes are calculated based on increases in taxable market value of 8.0% from 2005 to 2006 taxes, 8.0% from 2006 to 2007, and 3.0% from 2007 to 2008.

* The darker portion of the 2008 bar for each chart represents the estimated taxes associated alternative teacher compensation levy.



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 web site at www.taxes.state.mn.us



State Property Tax Refunds

- Minnesota Property Tax Refund (aka “Circuit Breaker” Refund)
 - Has existed since 1970s
 - Available to all owners of homestead property
 - Annual income must be approx. \$91,000 or less (income limit is higher if you have dependents)
 - Refund is a sliding scale, based on total property taxes and income
 - Maximum refund is \$1,700
 - Especially helpful to those with lower incomes
 - Fill out state tax form M-1PR



State Property Tax Refunds

- Special Property Tax Refund
 - Available for all homestead properties with a gross tax increase of at least 12% and \$100 over the prior year
 - Refund is 60% of the amount by which the tax increase exceeds the greater of 12% or \$100, up to a maximum of \$1,000
 - No income limits
 - Fill out state tax form M-1PR

Senior Citizen Property Tax Deferral



- Allows people 65 years of age or older with a household income of \$60,000 or less to defer a portion of the property taxes on their home
- Taxes paid in any year limited to 3% of household income for year before entering deferral program; this amount does not change in future years
- Additional taxes are deferred, but not forgiven
- State charges interest up to 5% per year on deferred taxes and attaches a lien to the property
- The deferred property taxes plus accrued interest must be paid when the home is sold or the homeowner(s) dies

Public Comments and Questions

