



# cmERDC Annual Business Conference

March 22, 2023

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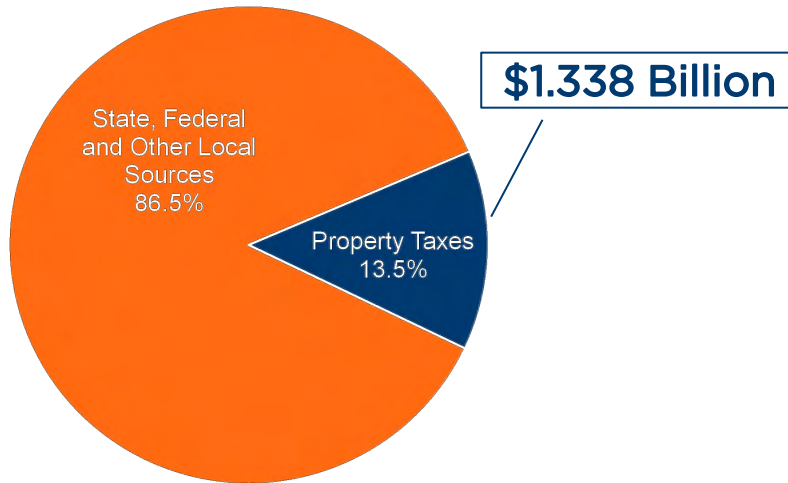
# Overview

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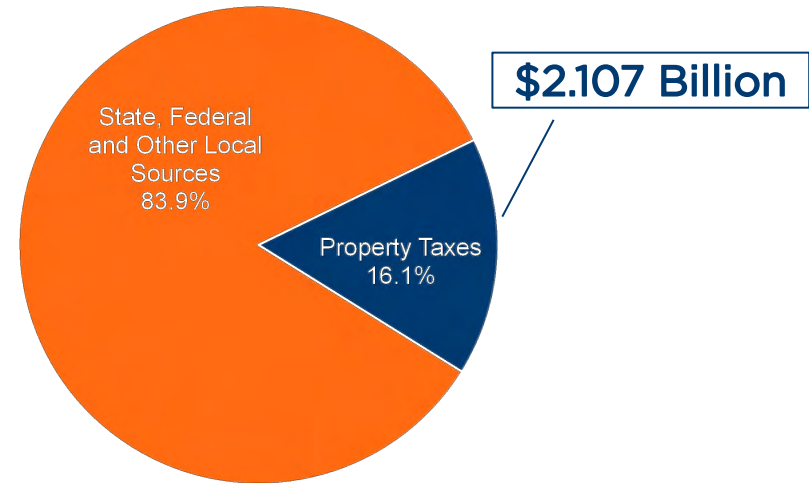
- Property Tax Levy
  - ✓ Timeline
  - ✓ Property tax calculations
- School District Financing Options
  - ✓ “Tools” Book

# Education Funding

**General Fund Revenues - 2014-15**  
\$9.935 Billion



**General Fund Revenues - 2021-22**  
\$13.082 Billion



# Overview

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- Minnesota School District Property Tax System is COMPLICATED!!!
  - ✓ 39 pages of levy calculations!
  - ✓ 40 different levy categories!
    - 2 property tax bases
    - 4 different funds
    - 2 Truth in Taxation categories

# Property Tax Levy Authority

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## Cities & Counties

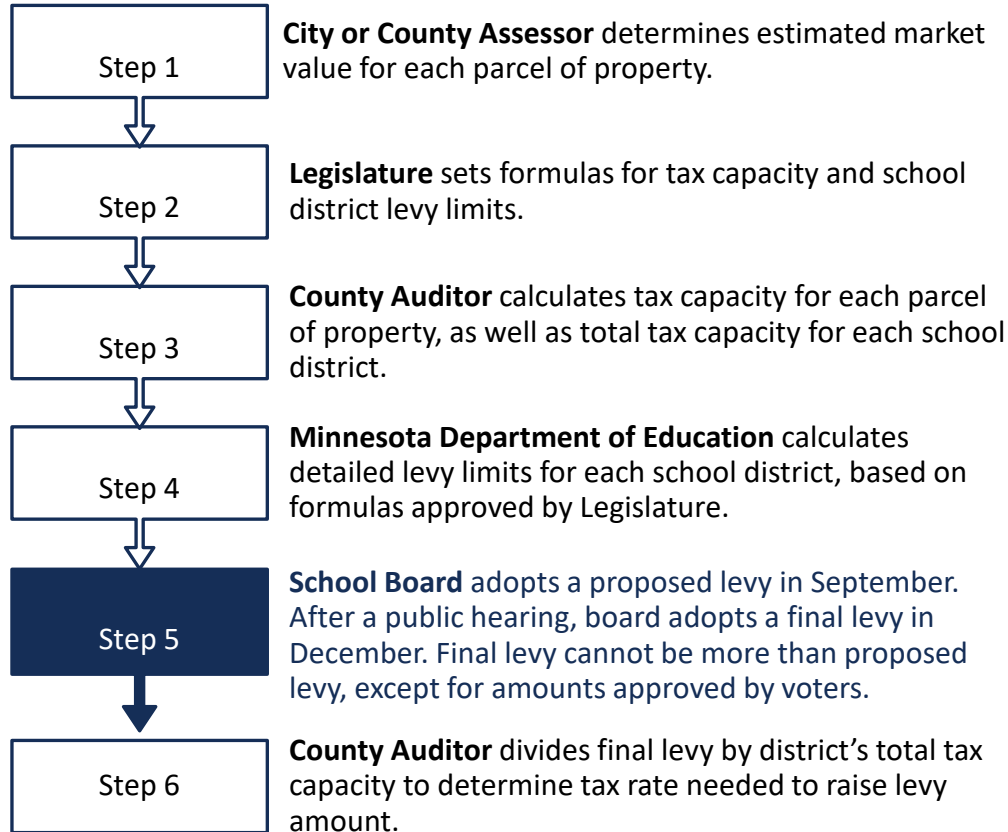
- Revenue based on tax rate
- Property value increase = tax levy authority increase
- Calendar year

## School Districts

- Revenue primarily based on enrollment
- Property values increase ~~≠~~ tax levy authority increase
- One exception – Capital Project Levy based on tax rate
- Fiscal year

# School District Property Tax Cycle

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# Property Assessment

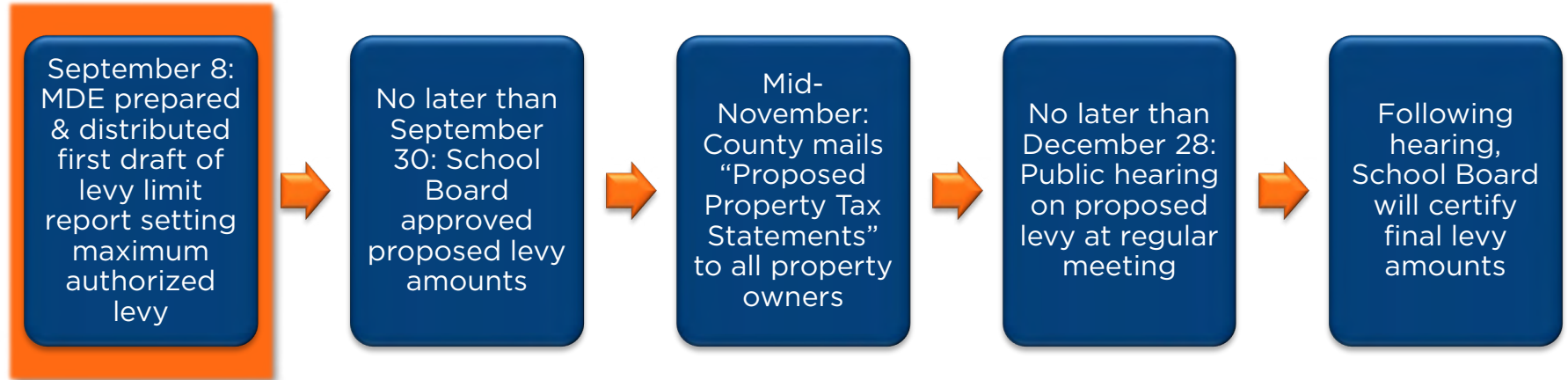
- Properties are assessed by January 2 of previous year for which taxes are payable
  - ✓ E.g. January 2, 2023, for taxes payable in calendar year 2024
- Valuation for upcoming year mailed by counties in March
  - ✓ Includes timing/process for appealing assessed value

VALUATION NOTICE		2024
2023 Values for Taxes Payable in		
Property tax notices are delivered on the following schedule:		
Step 1	<b>Valuation and Classification Notice</b> Class: Residential Homestead Estimated Market Value: \$150,000 Homestead Exclusion: \$23,800 Taxable Market Value: \$126,200	See Details Below.
Step 2	<b>Proposed Taxes Notice</b> 2024 Proposed Tax:	Coming November 2023
Step 3	<b>Property Tax Statement</b> 1st Half Taxes: 2nd Half Taxes: Total Taxes Due in 2024:	Coming March 2024
<b>The time to appeal or question your CLASSIFICATION or VALUATION is NOW!</b>		
It will be too late when proposed taxes are sent.		

# Schedule of Events

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## Approval of District's 2022 (Payable 2023) Tax Levy





# Summer Levy Reporting Process

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- July & August data submissions to MDE
  - ✓ Annual Long-Term Facilities Maintenance application
  - ✓ Enrollment estimates
  - ✓ Building/lease
  - ✓ General and Community Service

# Reviewing Initial MDE Levy Report

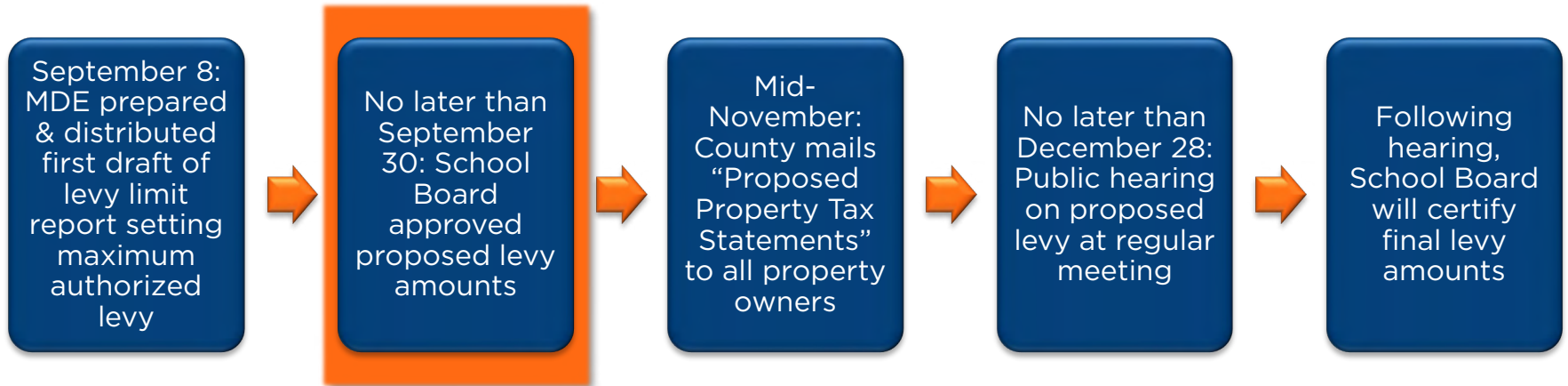
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- Current year levy compared to prior year
- ADM data
- Levy categories
  - ✓ Operating referendum
  - ✓ Capital project levy
  - ✓ LTFM (general fund and debt service)
  - ✓ Debt Service
- November elections

# Schedule of Events

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## Approval of District's 2022 (Payable 2023) Tax Levy



# Board Approves Proposed Levy Amount

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- Can either approve specific amount or ‘maximum’
  - ✓ Most boards approve ‘maximum’
- Certify to MDE and county on or before September 30
- Provide Truth in Taxation meeting date and contact information for notice to county

# Schedule of Events


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## Approval of District's 2022 (Payable 2023) Tax Levy



# Proposed Tax Statements

- Mailing occurs after November election
- Includes note if district held an election, but won't include voter-approved amounts or expiring authorities



**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 Rd S  
Spruceville, MN 55555-5555

**Property Information**  
PIN Number: 01.234.56.789.R1    Property Address: 789 Pine Rd S  
Spruceville, MN 55555

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

**PROPOSED TAXES 2023**

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2022	2023
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
<b>PROPOSED TAX</b>			
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	
3	PROPERTY TAX STATEMENT		
	Coming in 2023		
<b>The time to provide feedback on PROPOSED LEVIES is NOW</b> It is too late to appeal your value without going to Tax Court.			

**Proposed Property Taxes and Meetings by Jurisdiction for Your Property**

Contact Information	Meeting Information	Actual 2022	Proposed 2023
<b>State General Tax</b>	No meeting required	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 2, 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 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies	December 9, 7:00 PM Spruceville High School Cafeteria		
Other Levies		\$289.35 \$340.11	\$296.68 \$374.60
<b>Total excluding any special assessments</b>		<b>\$1,341.31</b>	<b>\$1,467.52    9.4%</b>

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 2023 may be higher than the proposed amount shown on this notice.

# Proposed Tax Statements

- Property information
- Prior & current year valuations
- Classification of property



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Jane Smith, Auditor-Treasurer  
345 12th Street East, Box 78  
Spruceville, MN 55555-5555  
(555) 345-6789  
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Step	PROPERTY TAX STATEMENT		
3	Coming in 2023		
The time to provide feedback on PROPOSED LEVIES is NOW			
It is too late to appeal your value without going to Tax Court.			

# Proposed Tax Statements

- Voter-approved levies
  - ✓ Operating referendum
  - ✓ Capital project levy
  - ✓ Debt
- Other local levies
- Meeting information
- November election

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Total excluding any special assessments		\$1,341.31	\$1,467.52 9.4%



# Schedule of Events

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## Approval of District's 2022 (Payable 2023) Tax Levy



# Hearing Agenda

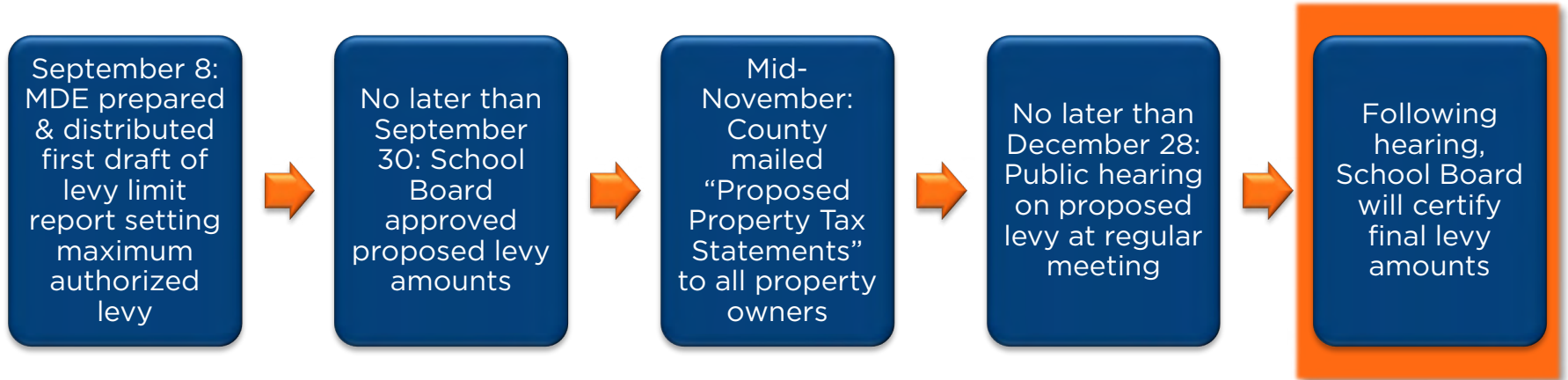
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- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy
  - ✓ Property Tax Background and Process
  - ✓ Explanation of Levy Changes
  - ✓ School Levy Taxes Comparison
- Public Comments

# Schedule of Events

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## Approval of District's 2022 (Payable 2023) Tax Levy



# Certify Final Levy Amounts

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- By December 28
  - ✓ Final levy certification due to MDE and County
  - ✓ TNT form due to MN Department of Revenue

# Final Tax Statements

- Final property tax statements mailed by March 31
- Tax payments made
  - ✓ May 15 (first half)
  - ✓ October 15 (second half)



**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 ID Number: 01.234.56.7890.R1

**Property Description:**

Lot 5, Block 13 of the Spruceville Estates Addition to  
the City of Spruceville.

Tax Statement		2023
2022 Values for Taxes Payable in		
Step	Values and Classification	
	Taxes Payable Year:	2022 2023
1	Estimated Market Value:	\$141,100 \$143,000
	Homestead Exclusion:	\$25,261 \$24,712
	Taxable Market Value:	\$107,839 \$114,488
	New Improvements:	\$0 \$0
	Property Classification:	RES HMSTD RES HMSTD
Sent in March 2022		
2	Proposed Tax	
	Proposed Tax:	\$1,570
Sent in November 2022		
3	Property Tax Statement	
	First-half Taxes:	\$777.13
	Second-half Taxes:	\$777.13
Total Taxes Due in 2023:		\$1,554.26

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You may be eligible for one or even two  
refunds to reduce your property tax.

REFUNDS?

Read the back of this statement to  
find out how to apply.

**Tax Detail for Your Property:**

Taxes Payable Year:	2022	2023
1. Use this amount on Form M1PR to see if you are eligible for a homestead credit refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.	<input type="checkbox"/>	\$1,531.10
2. Use those amounts on Form M1PR to see if you are eligible for a special refund.		\$1,428.92
<b>Property Tax and Credits</b>		
3. Property taxes before credits	\$1,428.92	\$1,531.10
4. Credits that reduce property taxes		
A. Agricultural and rural land credits	\$0.00	\$0.00
B. Taxicite tax relief	\$0.00	\$0.00
C. Other credits	\$0.00	\$0.00
5. <b>Property taxes after credits</b>	<b>\$1,428.92</b>	<b>\$1,531.10</b>
<b>Property Tax by Jurisdiction</b>		
6. County	\$438.06	\$474.18
Regional Rail Authority	\$5.96	\$6.18
7. City or Town	\$273.79	\$302.06
8. State General Tax	\$0.00	\$0.00
9. School district		
A. Voter approved levies	\$289.35	\$296.68
B. Other local levies	\$340.11	\$364.60

Taxes Payable Year:	2022	2023
10. Special Taxing Districts		
A. Metropolitan special taxing districts	\$64.66	\$69.34
B. Other special taxing districts	\$10.15	\$11.22
C. Tax increment financing	\$0.00	\$0.00
D. Fiscal disparity	\$0.00	\$0.00
11. Non-school voter-approved referenda levies	\$0.00	\$0.00
12. Total property tax before special assessments	\$1,422.08	\$1,524.26
<b>Special Assessments</b>		
13. Special assessments		
A. Curb and street improvements	\$30.00	\$30.00
B.		
C.		
14. <b>TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS</b>	<b>\$1,452.08</b>	<b>\$1,554.26</b>

# Final Tax Statements

## Tax Detail for Your Property:

<u>Taxes Payable Year:</u>	<u>2022</u>	<u>2023</u>
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C.		
14. TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	\$1,452.08	\$1,554.26

# Property Tax Changes

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Many factors can cause a 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 District property
- Increases or decreases in levy amounts

# Understanding RMV vs. NTC

	Referendum Market Value	Net Tax Capacity
<b>Funding Categories</b>	Operating Referendum, LOR, Equity, Transition	All other levies, including Capital Project Levy and Bonds
<b>How Taxes are Spread</b>	Single tax rate	Different rates based on property type
	<b>Taxes Spread?</b>	<b>Taxes Spread?</b>
<b>Residential</b>	Yes	Yes
<b>Commercial/Industrial</b>	Yes	Yes
<b>Agricultural - Land</b>	No	Yes
<b>Agricultural - HGA*</b>	Yes	Yes
<b>Seasonal Recreational</b>	No	Yes

\*House, Garage and One Acre



# Understanding Property Valuations

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Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each Property Owner pays a portion of the pie

# Impact of Property Valuations

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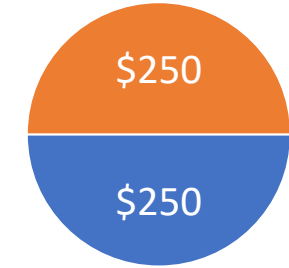
- Two properties in the district
  - ✓ Both houses are valued at \$100,000
- Total levy of \$500
  - ✓ Each property will pay \$250 of levy

\$100,000



\$250

\$250



\$100,000

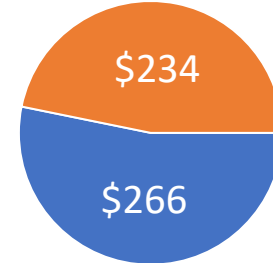


# Impact of Property Valuations

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- Two properties in the district
  - ✓ Orange house value increases by 10%
  - ✓ Blue house value increases by 25%
- Total levy of \$500
  - ✓ School will still generate the same amount levy even though values increased
  - ✓ Orange house pays less
  - ✓ Blue house pays more

\$110,000



\$125,000



# Levy Example: Eden Valley-Watkins

Assessment Year 2021 (Taxes Payable 2022) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value	Percent of Total	Net Tax Capacity*	Percent of Total
<b>Totals</b>	<b>773,346,748</b>	<b>100.0%</b>	<b>407,814,810</b>	<b>100.0%</b>	<b>6,894,857</b>	<b>100.0%</b>
Residential Homestead	282,107,423	36.5%	275,193,041	67.5%	2,535,366	36.8%
Other Residential	36,256,350	4.7%	35,686,900	8.8%	387,597	5.6%
Commercial / Industrial	42,100,500	5.4%	42,100,500	10.3%	777,464	11.3%
Non Qualifying Agricultural	49,926,325	6.5%	49,326,119	12.1%	444,235	6.4%
Qualifying Agriculture	245,218,850	31.7%	-	0.0%	1,591,772	23.1%
Seasonal Recreational	117,737,300	15.2%	5,508,250	1.4%	1,169,720	17.0%
TIF & FD					-11,297	-0.2%
			- Operating Referendum - Local Optional Revenue - Equity and Transition		All other school taxes including building bonds	

\*Totals include TIF & Fiscal Disparities adjustments

# Levy Example: Eden Valley-Watkins

	Pay 22 Levy	Pay 23 Levy	Change
<b>Referendum Market Value (RMV)</b>	410,942,400	487,069,700	18.5%
<b>Net Tax Capacity (NTC)</b>	6,852,442	8,203,368	19.7%
<b>RMV Levy</b>	645,292	697,923	8.2%
<b>NTC Levy</b>	1,989,647	1,913,054	-3.8%
<b>Total Levy</b>	2,634,938	2,610,978	-0.9%
<b>RMV Tax Rate</b>	.15703%	.14329%	-8.7%
<b>NTC Tax Rate</b>	29.036%	23.321%	-19.7%

# Total Levy - Eden Valley-Watkins

LINE #	LIMITATION COMPONENTS	2021 PAY 2022 LIMITATION	2021 PAY 2022 CERTIFIED LEVY	2022 PAY 2023 LIMITATION	2022 PAY 2023 PROPOSED LEVY	2022 PAY 2023 CERTIFIED LEVY	NOTES
SUBTOTALS BY LEVY CATEGORY							
(5001)	GENERAL-RMV VOTER-JOBZ EXEMPT	25,184.59	25,184.59	76,972.33	76,972.33	76,972.33	
(5002)	GENERAL-RMV OTHER-JOBZ EXEMPT	620,106.96	620,106.96	620,950.47	620,950.47	620,950.47	
(5003)	GENERAL-NTC VOTER-JOBZ EXEMPT						
(5004)	GENERAL-NTC OTHER-JOBZ EXEMPT	434,644.62	434,644.62	340,694.35	340,694.35	340,694.35	
(5010)	COMMUNITY SERV-NTC OTHER-EXEMPT	57,488.39	57,488.39	58,373.15	58,373.15	58,373.15	
(5015)	GENL DEBT-NTC VOTER-NONEXEMPT	993,326.62	993,326.62	991,963.73	991,963.73	991,963.73	*1
(5016)	GENL DEBT-NTC OTHER-NONEXEMPT	504,186.98	504,186.98	522,023.58	522,023.58	522,023.58	*1
(5022)	OPEB DEBT-NTC VOTER-NONEXEMPT						
(5023)	OPEB DEBT-NTC OTHER-NONEXEMPT						
SUBTOTALS BY FUND							
(5005)	GENERAL FUND	1,079,936.17	1,079,936.17	1,038,617.15	1,038,617.15	1,038,617.15	
(5010)	COMMUNITY SERVICES FUND	57,488.39	57,488.39	58,373.15	58,373.15	58,373.15	
(5017)	GENERAL DEBT SERVICE FUND	1,497,513.60	1,497,513.60	1,513,987.31	1,513,987.31	1,513,987.31	
(5024)	OPEB/PENSION DEBT SERVICE FUND						
SUBTOTALS BY TAX BASE							
	REFERENDUM MARKET VALUE	645,291.55	645,291.55	697,922.80	697,922.80	697,922.80	
	NET TAX CAPACITY	1,989,646.61	1,989,646.61	1,913,054.81	1,913,054.81	1,913,054.81	
SUBTOTALS BY TRUTH IN TAXATION CATEGORY							
	VOTER APPROVED	1,018,511.21	1,018,511.21	1,068,936.06	1,068,936.06	1,068,936.06	
	OTHER	1,616,426.95	1,616,426.95	1,542,041.55	1,542,041.55	1,542,041.55	
TOTAL LEVY							
	TOTAL LEVY	2,634,938.16	2,634,938.16	2,610,977.61	2,610,977.61	2,610,977.61	

RMV Levy = Increase

NTC Levy = Decrease

# Levy Example: Eden Valley-Watkins

		Actual Taxes Payable in 2022	Estimate of Taxes Payable in 2023	Estimated Change in Annual Taxes	Estimated % Change
Type of Property	Estimated Market Value	Estimated Annual School District Property Taxes			
Residential Homestead	\$200,000	\$839	\$708	-\$131	-15.6%
	225,000	957	807	-150	-15.7%
	250,000	1,076	907	-169	-15.7%
Commercial/ Industrial	\$100,000	\$593	\$493	-\$100	-16.9%
	250,000	1,627	1,349	-278	-17.1%
	500,000	3,471	2,874	-597	-17.2%
Agricultural Homestead (dollars per acre)	\$4,000	\$3.18	\$2.08	-\$1.10	-34.6%
	5,000	3.98	2.60	-1.38	-34.7%
	6,000	4.78	3.12	-1.66	-34.7%
Seasonal	100,000	290	233	-57	-19.7%
Recreational	200,000	581	466	-115	-19.8%
Residential	250,000	726	583	-143	-19.7%

# Financing Tools



Multiple financing tools



“Tools for Financing Capital Projects” booklet



Growing trend



Effective use = SUCCESS!



# Types of Capital Financing

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- “Pay as you go”
  - ✓ Use existing cash & reserves
  - ✓ Efficient for short-lived assets
  - ✓ Sometimes difficult to save enough
  - ✓ Those who “paid” may not benefit



# Types of Capital Financing

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- Debt issuance
  - ✓ Preserve existing cash & resources
  - ✓ Cost of asset amortized over useful life
  - ✓ Asset paid for & benefited by users
  - ✓ Manage & stabilize tax rates, fees
  - ✓ Some debt service exempt from levy limitation



# Tax Exempt Debt

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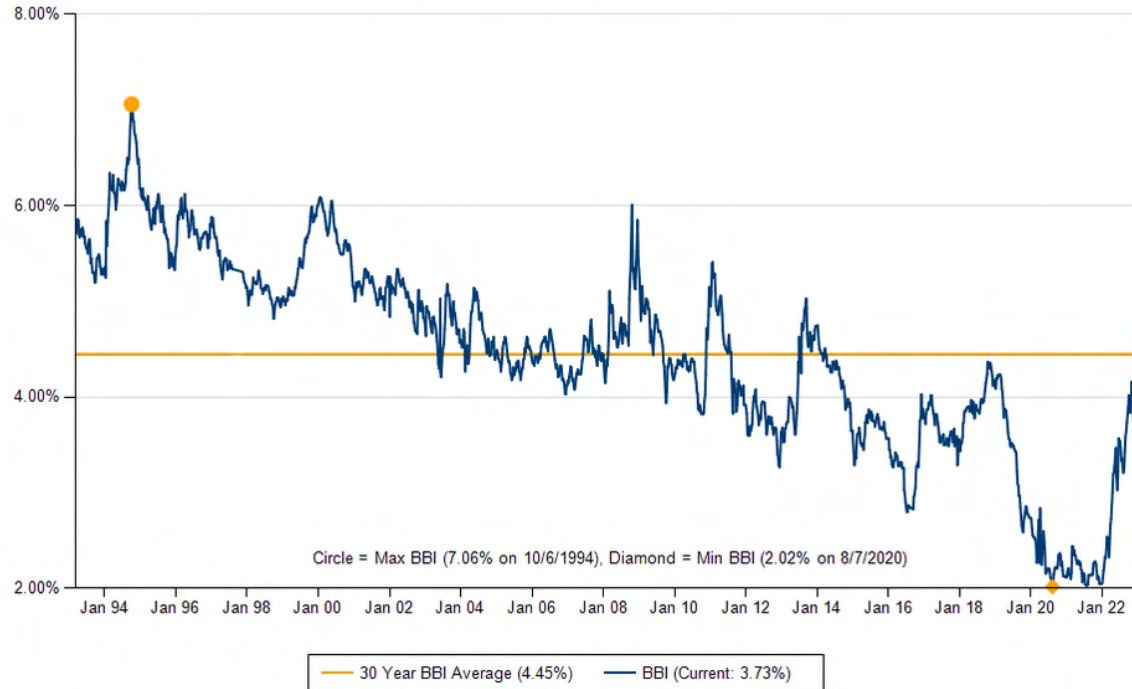
- Interest paid to debt holders exempt from income tax
  - ✓ Federal & State
- Tax-exemption is a privilege
  - ✓ Must comply with federal regulations
  - ✓ U.S. Treasury is governing body
  - ✓ IRS enforces regulations

**Municipal issuers can also issue taxable debt.**

# Interest Rate Trends

## 30 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates March, 1993 - March, 2023



# School Building Bond Ag Credit

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Provides agricultural property owners a credit for taxes attributable to school district debt service

Applies to new & existing debt

Applies to all agricultural property (except house, garage & one acre)

- Class 2a: Agricultural Land (Homestead & Non-Homestead)
- Class 2b: Rural Vacant Land
- Class 2c: Managed Forest Land

Credit reaches maximum of 70% in Pay 2023 & later

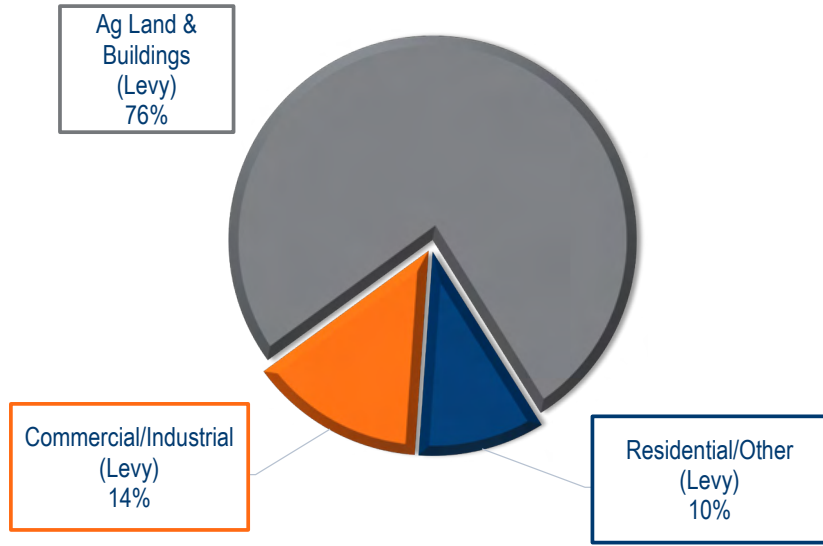
Ongoing credit, automatically deducted from property taxes owed

(property owners don't need to complete a form to request credit)

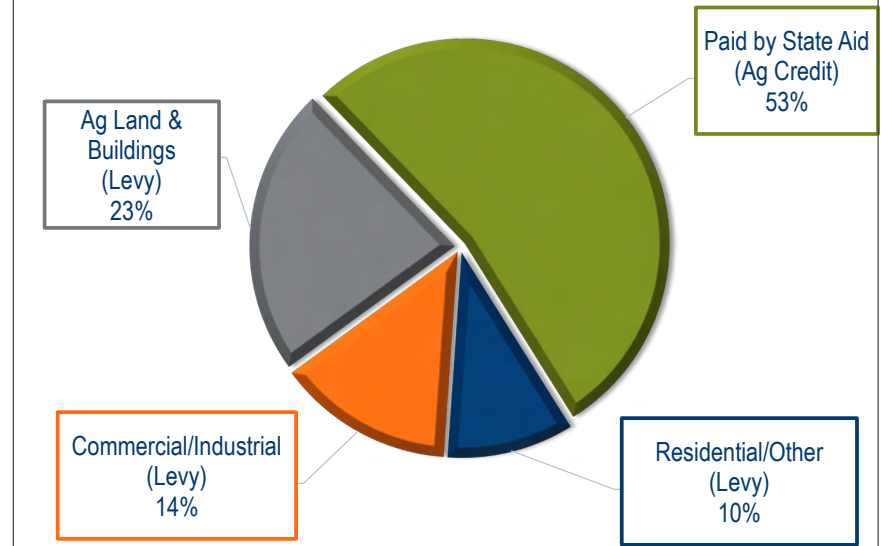
Credit paid by State, does not shift levy to other property types

# School Building Bond Ag Credit

No Ag Credit

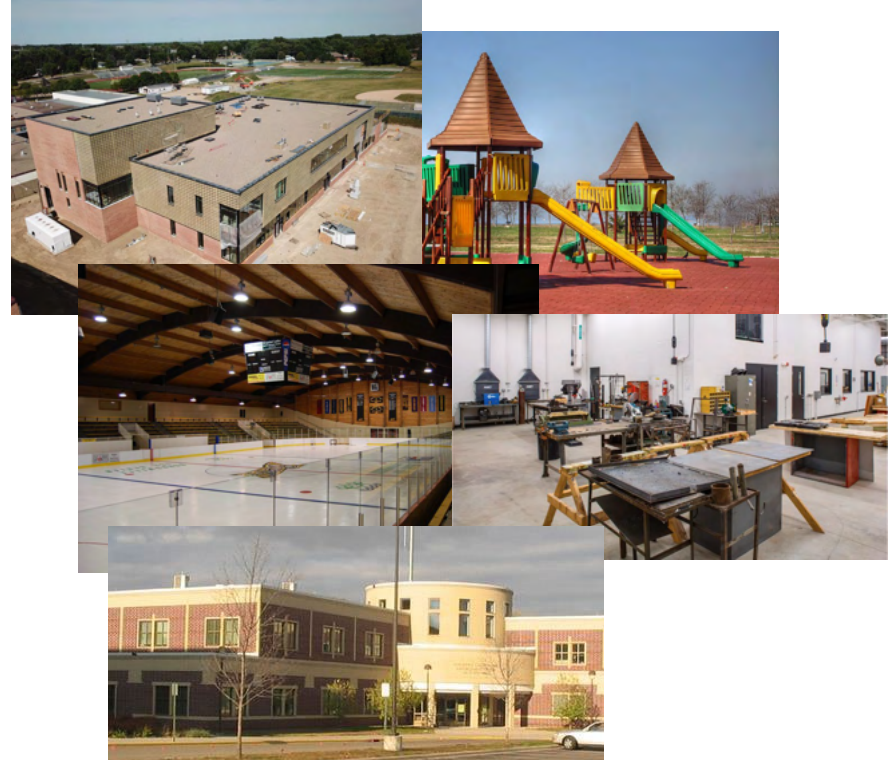


70% Ag Credit



# Eligible Borrowing Purposes

- Capital projects with valid authorization under state law
- Projects already completed or planned for future
  - ✓ Federal & sometimes State tax exemption rules apply for expenditure reimbursement & timely spending of debt proceeds



## Available Financing Tools for Capital Projects

### PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
Building Bonds	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y	Y	None	Statutory debt limit	State Review & Comment required
Operating Referendum	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing State maximum revenue/ pupil	Annual revenue can be used to make payments on debt issue (lease purchase, capital facilities bonds, capital notes)
Capital Project Levy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing	



Available Financing Tools for Capital Projects	PROJECT TYPES													Limitations	Maximum Borrowing	Other Notes
	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit			
Facilities Maintenance Bonds (All except old Alt. Fac. Districts)					✓								Y	Payments financed from LTFM revenue	Statutory debt limit	State approval required
			1			✓						Y	Y	HVAC, fire suppression, asbestos over \$100k or remodeling for Pre-K	Statutory debt limit	State approval required
Facilities Maintenance Bonds (Old Alt. Fac. Districts)			1		✓	✓						Y	Y	None	Statutory debt limit	State approval required

1. Facilities Maintenance Bonds can be used to finance building remodeling required to accommodate state-funded voluntary pre-kindergarten programs.

## Available Financing Tools for Capital Projects

### PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
Capital Facilities Bonds			✓	✓		✓	✓	✓	✓				Y	Payments financed from general fund revenue	Annual pmts. can't exceed operating capital revenue	State approval required
Capital Notes										✓			Y	Payments financed from general fund revenue	Annual pmts. can't exceed operating capital revenue	State approval required

Available Financing Tools for Capital Projects	PROJECT TYPES												Limitations	Maximum Borrowing	Other Notes
	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit		
Lease Purchase without Levy	✓	✓		✓			✓			✓				Payments financed from general fund revenue	
Lease Purchase with Levy	2	✓		3								Y		Instructional & school storage use only Additions limited to 20% of existing building space	Annual lease levy limited to \$212/pupil Annual state approval required with upfront capital lease approval prior to financing

- Lease levy can be used for new buildings, building purchases, or building additions under 20% of existing building, but only if the facilities are used for instruction or school storage, and not for "regular elementary or secondary instruction." Permitted examples would include buildings used for early childhood education, special education, alternative learning centers or adult education.
- Lease levy can be used for site improvements for cocurricular or other instructional uses, e.g., athletic fields and tracks.

## Available Financing Tools for Capital Projects

### PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
Abatement Bonds							✓					Y	Y	Permitted uses limited to parking construction & improvements	Annual debt service limited to 10% of NTC	Public hearing required

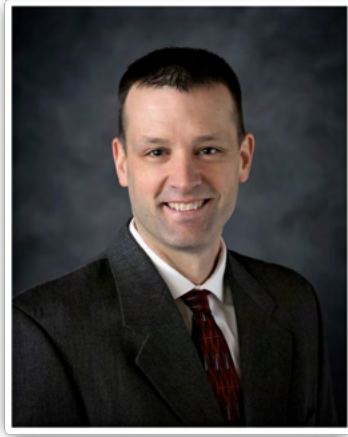
# Issuing Debt: Process & Timing

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# Let's Talk!

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