

# **ISD 600 Aug 15 Community Meeting Pres 081424 V3 DRAFT VOICE RECORDING FINAL 090324**

0:01

On November 5th, Fisher Public Schools is holding an operating levy referendum requesting additional dollars for school district operations.

0:09

My name is Matt Ranapa from Baird, Financial consultant for the school district.

0:13

On August 15th, there is a Community Information meeting held at which Superintendent Hansen and myself presented information on the proposed operating levy referendum.

0:23

For those of you who weren't able to attend or for those of you who attended and want to revisit the information, I'm providing this voice recording of the presentation from August 15th.

0:34

Before we jump into the information on the proposed operating levy request, want to remind folks of the November 7th, 2023 operating levy request that was unsuccessful with about 39% yes votes and 61% no votes.

0:49

This request ask voters to revoke the existing operating levy authority of \$161 per pupil and replace it with a new operating levy authority of 1432 per pupil for 10 years.

1:04

With inflation, this request would have generated approximately 300,000 in additional operating levy revenue for the school district annually.

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About the time the Volt was happening in November of 2023, the school district was going through and finishing up the audit for fiscal year 2023, or the 2020 two 23 school year.

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The audited financial statement showed an unreserved general fund balance of -136,839 or -4.19% of unreserved unreserved expenditures.

1:42

State law says that any school district that has a negative unreserved general fund balance greater than -2 1/2 percent is in what's called statutory operating debt, or SOD.

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Requirement of the SO of a school district that's in SOD is to work with MDE, Minnesota Department of Education to put together a plan to show how the school district is going to get out of SOD and build their unreserved general fund balance.

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So Fisher Public Schools did this and has an approved SOD plan by MBE.

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That SOD plan looks something like this.

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As you can see middle portion of the slide.

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Unreserved expenditures range from 3.2 down to about 2.8 million.

2:31

You'll note or notice for fiscal year 25 or this current school year, the 2425 school year, the district reduced unreserved expenditures by 384,008 O 6 and is estimated to have a positive fund balance by fiscal year 26 or the two thousand 2526 school year.

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Next we're going to touch on enrollment and how it impacts the revenue side of the school district's annual budget.

3:00

You can see here's a history of enrollment going back to the 2013 fourteen school year up to the 2020 two 23 school year, which is the most recent final enrollment figures the Department of Education has out total Adm folks is the number of students the school district is educating total adjusted pupil units.

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The bottom line in this slide takes the grades seven through 12 and applies a 1.2 weighting factor.

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The majority of funding formulas that the school receives receives revenue for is based on adjusted pupil units.

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You'll see looking at the past five years, the high point of adjusted pupil units was the 1819 school year at 295.4.

3:48

That 295.4 has been reduced as low as 237 in the 2122 school year with a slight uptick to 256 point O1 for the 2223 school year.

4:01

Simply put, what this enrollment reduction over the course of the past five years means is less revenue to the school district to use for operations.

4:12

So what does one student mean in revenue?

4:15

If we focus solely on the general education revenue the school district receives, one student equates to 11,005 O 9 and \$0.75.

4:25

What this means, Simply put, is for every every change in students of five, it's 57,548.75 increase or decrease to the revenue side of the school district budget depending on if it's a gain of five students or a loss of five students.

4:42

Currently, the average daily membership for the district is 232.2 kids for last year's school year in fiscal year 24 or the 2020 three, 24 school year.

4:55

So if we focus on the adjusted Adms of 232.2 from the previous slide at the 11,005 O 9.75 per student in general education revenue, you can see the school district is estimated to receive 2 million six \$72563.95 in total general education revenue for fiscal year 2024.

5:19

Again, if we look at a change of five students, you can see five students up from the 232 to 237.2 is the 57,548.75 and additional revenue.

5:32

Conversely, if the school district were to lose the five kids, you can see 57,548.75 reduction revenue.

5:42

15 kids folks would be 172,646 either way depending on if enrollment is increasing or decreasing.

5:49

So just want to show on the slide what the impact of enrollment changing has on the revenue side of the school's budget.

5:58

Next, let's take a look at school portion of property tax.

6:03

Here you can see the history of school portion of property tax on a Homestead residential property valued at 200,000, going back to taxes payable in 2012.

6:13

Keep in mind, information on this slide assumes the home has been valued at 200,000 for the time frame from 2012 to this year.

6:21

In Taxes payable 2024, black bars represent referendum market value portion of school property tax.

6:29

There are 4 levies spread on referendum market value, one of which is the proposed water approved operating levy.

6:35

There's two property types that are exempt from RMV portion of school property tax.

6:40

That's seasonal recreational properties and agricultural land beyond the dwelling value or home garage and one acre.

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The Gray bars on this slide represent the net tax capacity portion of school tax.

6:52

All property types pay with the net tax capacity portion of school tax and most levies are spread on this tax base.

7:00

You can see the history of spread levy for both RMV and NTC shown as the green line and the blue line.

7:07

So if we focus on the total school portion of property tax, you can see the high for the \$200,000 home wasn't taxes payable 2019 with whole school portion of tax of \$924.00 which is the 630 plus the 294 for the RMV and NTC portions of the school portion of property tax.

7:27

Looking at this year in 2024, school portion of tax has been reduced to \$512.00, which is the 269 plus the 243 in the black in the Gray bar.

7:41

Focusing on an agricultural homestead property valued at 5000 per acre, you can see going back to 2012, the high point and school portion of property tax was in 2014 at \$4.45 an acre.

7:54

That's been reduced to \$2.61 per acre this year in 2024, assuming the property stayed valued at 5000 per acre over that time.

8:08

So if we focus on a \$200,000 homestead residential property and take a look at how school portion of property tax in Fisher Schools compares to other neighboring districts, you'll see Fisher a second from the bottom next to Stephen Argyle Central and also below the average of the state of Minnesota with Goodrich leading the charge for this neighbor comparison and school portion of property tax.

8:34

If we look at the agricultural homestead for egg land valued at 5000 per acre, you can see Fisher school portion of property taxes 4th from the top at \$2.60, but also below the average of the state of Minnesota.

8:53

Next we're going to focus on what the operating levy is, folks.

8:56

So an operating levy provides additional dollars for school district operations beyond what the school receives in the regular state education funding.

9:05

The state of Minnesota does equalize this revenue, meaning that the state will provide aid to reduce the local portion of property tax levy.

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Unfortunately, Fisher Schools does not qualify for state aid on the operating levy under the current formula.

9:21

They do qualify for tax base replacement aid, which does help reduce the local portion of the operating levy.

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Many of the revenue sources that the school district has available to it is very specific in what the dollars can be used for.

9:37

Operating levy is not one of those types of revenue.

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Operating levy is very flexible in what the revenue can be used for, can be used for operation, supplies, technology as well as facilities improvements.

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Again operating levy spread on referendum market value where a land beyond the dwelling value home garage and one acre are exempt as well as seasonal recreational properties.

10:01

Also, with the operating levy and any referendum market value based levy, same value properties pay the same regardless of classification.

10:13

For example, if you have a \$200,000 home and a \$200,000 commercial property, they're both going to pay the same amount for the proposed operating levy.

10:22

If this were a bond levy, that would not be the case since bond levies are spread on that task capacity which use a class rate system.

10:33

Next, let's take a look at Fisher Schools existing operating levy authority.

10:37

As I'd mentioned previously, \$161 per pupil is what the school district currently has.

10:44

Adjusted pupil units again is what brings in the revenue for the operating levy.

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For this current school year, 2425, Fisher Schools has 261.6 adjusted pupil units.

10:57

If we take the 261.6 times the \$161 per pupil, you can see the district receives 42,117.6 in operating levy revenue.

11:09

Resident pupil units is what the state aid formula is based on for this year.

11:15

2425 school year resident pupil units are at 129.6.

11:19

Again, the school district does not qualify for state aid on the operating levy.

11:24

Last collection year for the current operating levy is Taxes payable 2033 Fiscal year 2034 Important 23 Legislative change allows school boards to renew one time existing operating levy authority and the same amount and the same term as originally as originally approved by the borders.

11:47

So what this means as a school board will have an opportunity to renew with board approval not have to go to the voters.

11:54

The existing \$161 per pupil prior to expiration and taxes payable 2033 fiscal year 2034 local optional revenue and equity revenue are two other levies that are spread on referendum market value.

12:09

You can see the corresponding revenue for each of those.

12:13

And lastly, in the top left portion of the slide, you can see the history of operating levy within the school district.

12:21

With three out of four operating levy request passing, the only one failing would have been the 1432 per pupil that was proposed last year in November of 2023.

12:36

So if we look at how Fisher's current operating levy authority of 161 and the proposed new operating levy authority compared to neighboring school districts, you can see current \$161 per pupil is second from the bottom next to East Grand Forks who does not have a voter approved operating levy.

12:54

With a successful November 2024 operating levy referendum, that 161 would be increased to 1432 which would put Fisher slightly ahead of the middle of the pack comparing to neighbor school districts.

13:11

If we take a look at schools with similar enrollment, Fisher's current operating level authority is at the bottom.

13:17

You can see with the proposed new request it would put Fisher in the bottom third or so comparing to similar enrollment school districts across the state.

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Lastly, if we take a look at the current, current and proposed operating levy authority compared to school districts in the basketball schedule, you'll see a similar trend here with the current operating levy authority being one of the lowest in this comparison and the proposed new operating levy authority putting Fisher slightly ahead of middle of the pack.

13:50

It's worth noting that the school districts on this slide that don't have order approved operating levy authority qualify for other forms of aid such as impact aid that Fisher Schools does not qualify for.

14:03

So if we look at revenue timing with their proposed November 2024 election, the first revenue collection would be next year and taxes payable 25 for fiscal year 26.

14:14

So next year and 25 would be when folks would see the tax impact increase assuming a successful referendum.

14:23

What this means for the school district's budget is that they need to make it through this current 2024-2025 or fiscal year 2025 year before new revenue would be generated.

14:36

This means that the district is going to have to continue to budget carefully and adhere to the SOD plan approved by MDE to build the fund balance before the new revenue would potentially be received.

14:51

So if we focus on what the November 5th operating levy request is, the request is asking for a new \$1271 per pupil of operating levy authority again would commence in taxes payable 25 fiscal year 26 and would be in place for 10 years.

15:08

This request would generate approximately 290,000 of new revenue to the school district annually.

15:16

Some of you may wonder, is this the same request that failed last year in November of 2023?

15:23

The answer is no.

15:25

While the new amount per pupil is the same as what was requested last year, the request last year had what's called an inflationary component in which the authority would increase annually by the rate of inflation.

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After the failed election, the school board got some feedback that there were some concerns about having that inflation factor on the request.

15:47

So the decision was made to not include inflation with the proposed operating letter request, the 1271, meaning that 1271 would be the same over the course of the full 10 years.

16:02

So why now?

16:03

As I've mentioned previously, school Board and administration worked hard to put together the \*\*\* plan and reduce expenditures.



16:14

Unreserved general fund expenditures by about 385,000 in fiscal year 25.

16:19

The district wants to maintain existing staff and also provide student programs as part of the SOD plan.

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There were some areas that were cut in personnel, agricultural and music.

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The school boards made it clear that they want to use the additional revenue to bring back some of those offerings specifically in the areas of agricultural trade skills and Fine Arts.

16:51

So what will the ballot language look like?

16:53

You can see on this slide folks, this is what the ballot language will look like for the November 5th referendum.

17:01

Keep in mind state law dictates much of what needs to be in this ballot language.

17:07

You can see again the 1271 per pupil of additional operating levy for 10 years beginning with taxes payable in 2025.

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That 1271 per pupil is what generates the 290,000 in additional revenue.

17:24

That 1271 is not the tax impact increase.

17:28

We'll get to that on the next slide.

17:33

So this slide, folks, in the white and green box in the right portion of the slide, you can see the estimated annual tax impact and estimated monthly tax impact of the proposed operating levy.

17:45

If we focus on \$100,000 property, you can see annual tax impact of \$368.10, monthly impact of \$30.68.

17:56

If we double that and look at a \$200,000 property, you'll see the 368 double S to \$736.20 annually or a monthly tax impact increase of \$61.35.

18:10

Again, all properties are taxed the same, where a \$200,000 home and a \$200,000 commercial property are both going to have the estimated increase of \$736.

18:24

If you want to go to the District website, there's a parcel specific tax impact calculator that allows you to enter your specific parcel ID number and see your specific property tax impact.

18:37

How the valuations used on that tax calculator were received from the county for the most recent 2025 assessed value information.

18:48

This slide shows what the parcel specific tax impact calculator looks like.

18:52

You can see you enter the parcel identification number in the yellow box.

18:57

Press the Get Info button, and the estimated annual and monthly tax impact will show up in the bottom portion of the slide.

19:05

This.

19:06

The link to this tax impact calculator can be found on the main page of the school district website.

19:11

If you Scroll down, about halfway down on the main page, you'll see an information box that's shown in the bottom left portion of the slide.

19:18

Click the Operating Referendum Tax Impact calculator link, of which the orange arrow there points to.

19:25

Click on that and it will take you right to the parcel specific tax impact calculator.

19:32

Some of you may wonder about the tax impact postcard.

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The School district mailed a tax impact postcard or postcards to each taxpayer in the school district showing your specific property tax impact of the operating levy request.

19:48

If you didn't receive a postcard, please contact the district and we'll work to get in contact with you to provide you your specific tax impact of the proposed referendum.

19:59

So what happens if the referendum fails again?

20:02

The District.

20:03

Has the approved SOD plan that they'll have to continue to adhere to.

20:08

Without the additional revenue from the proposed operating levy, it's possible that there will be decreased support for students, additional budget cuts and program reductions, and it's likely the school district will return to the voters again in the future for an operating levy request.

20:26

Next, want to touch on dates of importance for the election.

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The first two boxes on the slide the school district has already completed in adopting the resolution calling for the election and providing the appropriate notice to both the County Auditor as well as the Commissioner of Education.

20:43

Third box down as the first date to vote absentee beginning on Friday, September 20th and going to Monday, November 4th, with Election Day occurring Tuesday, November 5th to vote on November 5th.

20:59

The voting method is the same as what's used in the state general election.

21:04

If you want to request an absentee ballot again, you can do so from September 20th to November 4th at the Polk County Government Center.

21:15

Thank you for taking the time to listen to this presentation.

21:19

If you have any questions, please feel free to reach out to the district office or any of your school board members.