



EDEN PRAIRIE SCHOOLS

Inspiring each student every day

Public Hearing for Taxes Payable in 2023

DECEMBER 12, 2022

PRESENTED BY:

JASON MUTZENBERGER,

EXECUTIVE DIRECTOR OF
BUSINESS SERVICES

Minnesota State Law Requires:

A Public Meeting...

- Between November 25th & December 28th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting
- Must allow for public comments

...and Presentation of:

- Current year budget
- Proposed property tax levy



Hearing Agenda

- 1. Background Information on School Funding**
- 2. District's Budget**
- 3. District's Proposed Tax Levy for Taxes Payable in 2023**
- 4. 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.”



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As a result...

Funding is Highly Regulated

State Sets:

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

State also authorizes school board to submit referendums for operating and capital needs to voters for approval



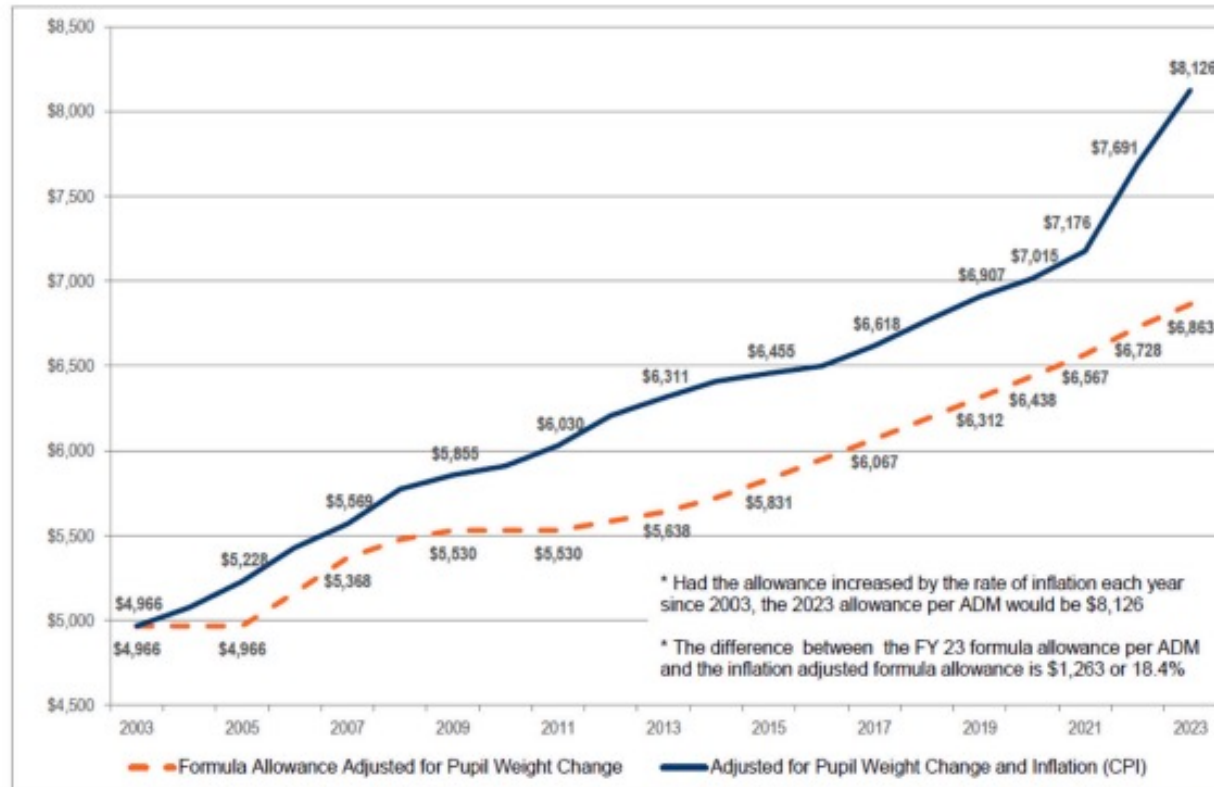
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Challenge: State Set Basic General Education Formula Lags Inflation

- Since FY03, state General Education Revenue formula has not kept pace with inflation
- For FY23, Legislature approved an increase of 2.00%
- Per-pupil allowance for FY23 of \$6,863 would need to increase by another \$1,263 (18.4%) to have kept pace with inflation since FY03



Education Formula Lags Inflation



Source: MDE June 2022 Inflation Estimates



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Underfunding of Special Education

MDE reports the FY 2023 cost of providing special education programs is underfunded by \$745 million

In Eden Prairie Schools, the funding gap results in an additional \$4,900,000 paid from the General Fund in FY21.

Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law

Primary options to bridge special education funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Referendum Need

Result:

- Growing dependence on referendum revenue to bridge the gap in state funding

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
- 2023 taxes provide revenue for 2023 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2023 taxes provide revenue for 2023-24 school year
- Budget will be adopted in June 2023



Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 2022-23 budget will be set in June 2022.

All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

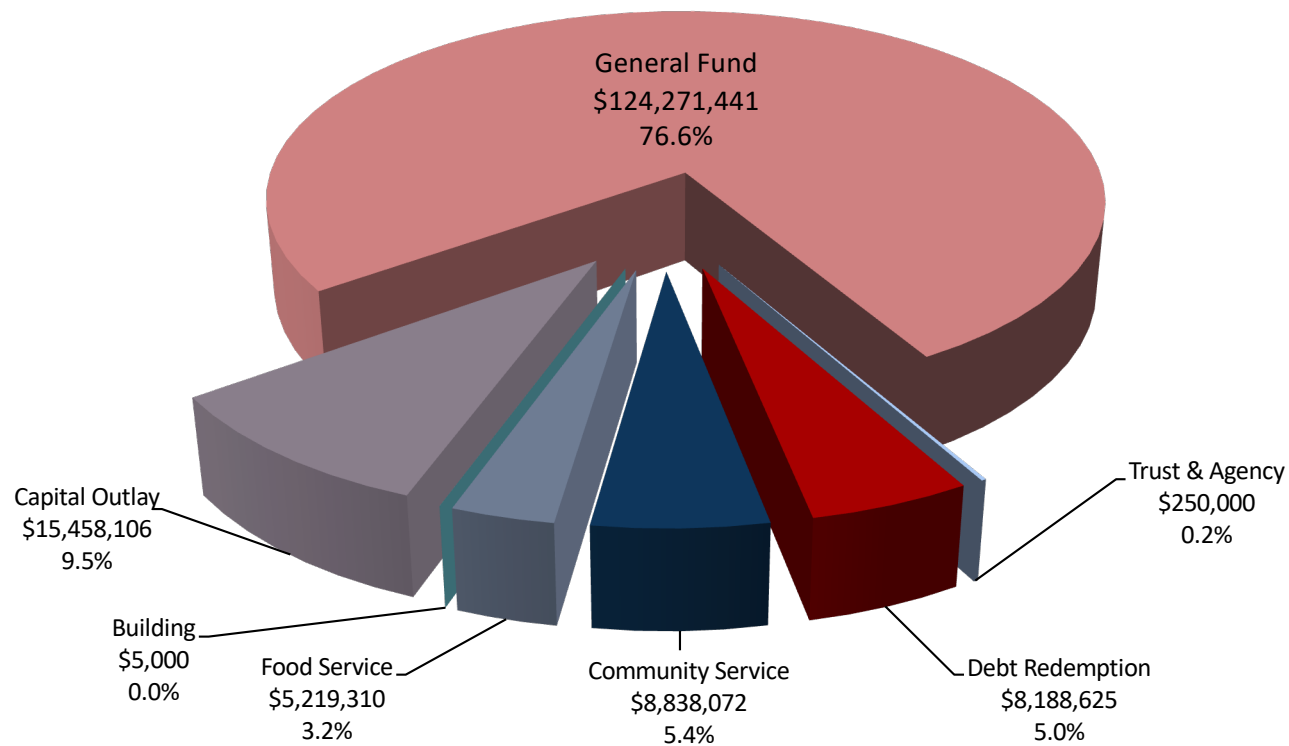
Our District's Funds:

- General (Includes: Capital, Tech Levy, Transportation)
- Food Service
- Community Service
- Building Construction (LTFM, Designing Pathways)
- Debt Service
- Other Post Employment Benefit (OPEB) Trust
- Internal Service (Self Funded Medical and Dental)

Proposed Tax Year	Taxing District						
2023	Eden Prairie ISD - 272						
Fund	FY 2021 Beginning Fund Balances	FY 2021 Actual Revenues and Transfers In	FY 2021 Actual Expenditures and Transfers Out	Jun 30, 2021 Actual Fund Balances	FY 2022 Budget Revenues and Transfers In	FY 2022 Budget Expenditures and Transfers Out	Jun 30, 2022 Projected Fund Balances
General Fund/Restricted	\$2,198,591	\$27,746,035	\$26,638,692	\$3,305,935	\$23,354,986	\$26,866,527	(\$205,606)
General Fund/Other	\$29,551,095	\$112,824,439	\$114,413,526	\$27,875,662	\$116,374,561	\$117,092,596	\$27,157,627
Food Service Fund	\$271,769	\$6,407,566	\$5,257,234	\$1,422,101	\$5,219,310	\$5,386,011	\$1,255,400
Community Service Fund	\$90,130	\$9,522,675	\$8,506,764	\$1,106,042	\$8,838,072	\$8,337,170	\$1,606,944
Building Construction Fund	\$15,090,377	\$3,651,072	\$15,271,392	\$3,470,057	\$5,000	\$2,773,634	\$701,423
Debt Service Fund	\$2,153,857	\$9,147,979	\$9,586,899	\$1,714,938	\$8,188,625	\$8,213,156	\$1,690,407
Trust Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Internal Service Fund	\$7,880,634	\$14,399,024	\$13,285,060	\$8,994,598	\$14,450,000	\$13,600,000	\$9,844,598
*OPEB Revocable Trust Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPEB Irrevocable Trust Fund	\$19,252,427	(\$2,076,955)	\$2,341,026	\$14,834,446	\$250,000	\$500,000	\$14,584,446
OPEB Debt Service Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total - All Funds	\$76,488,882	\$177,449,442	\$191,214,546	\$62,723,778	\$176,680,554	\$184,019,094	\$55,385,238
Long-term Debt		Current Statutory Operating Debt per Minnesota Statutes, section 123B.81					
Outstanding July 1, 2021	\$98,665,000	Amount of General Fund Deficit, if any, in excess of 2.5% of expenditures 06/30/, 2022					
Plus: New Issues	\$0						
Less: Redeemed Issues	\$6,030,000						
Outstanding June 30, 2022	\$92,635,000						
Short-Term Debt		Cost per student - Average Daily Membership (ADM) 06/30/2022					
Certificates of Indebtedness	\$0	Total Operating Expenditures					
Other Short-Term Indebtedness	\$0	FY 2022 Total ADM Served + Tuitioned Out ADM + Adjusted Extended ADM					
		FY 2022 Operating Cost per ADM					

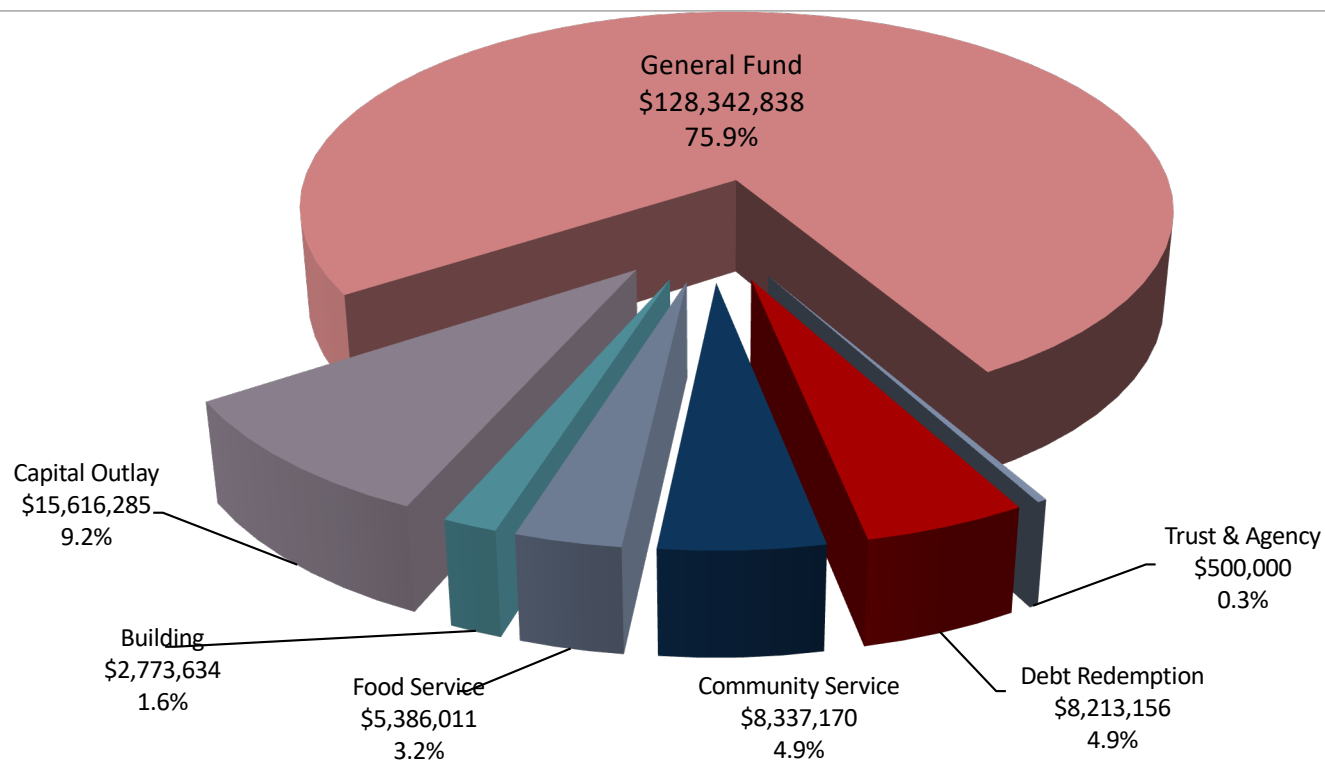
Revenues - All Funds

FY 23 Budget Total - \$162,230,554



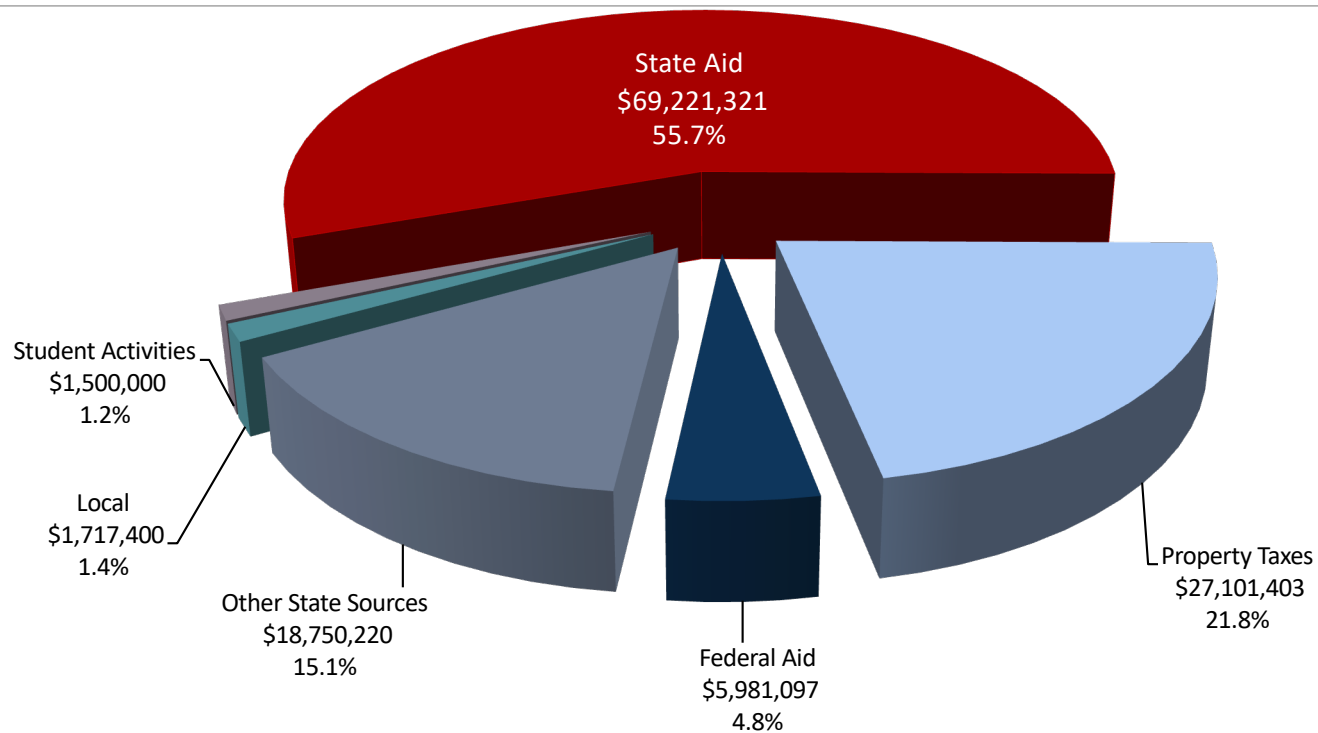
Expenditures - All Funds

FY 23 Budget Total - \$169,169,094



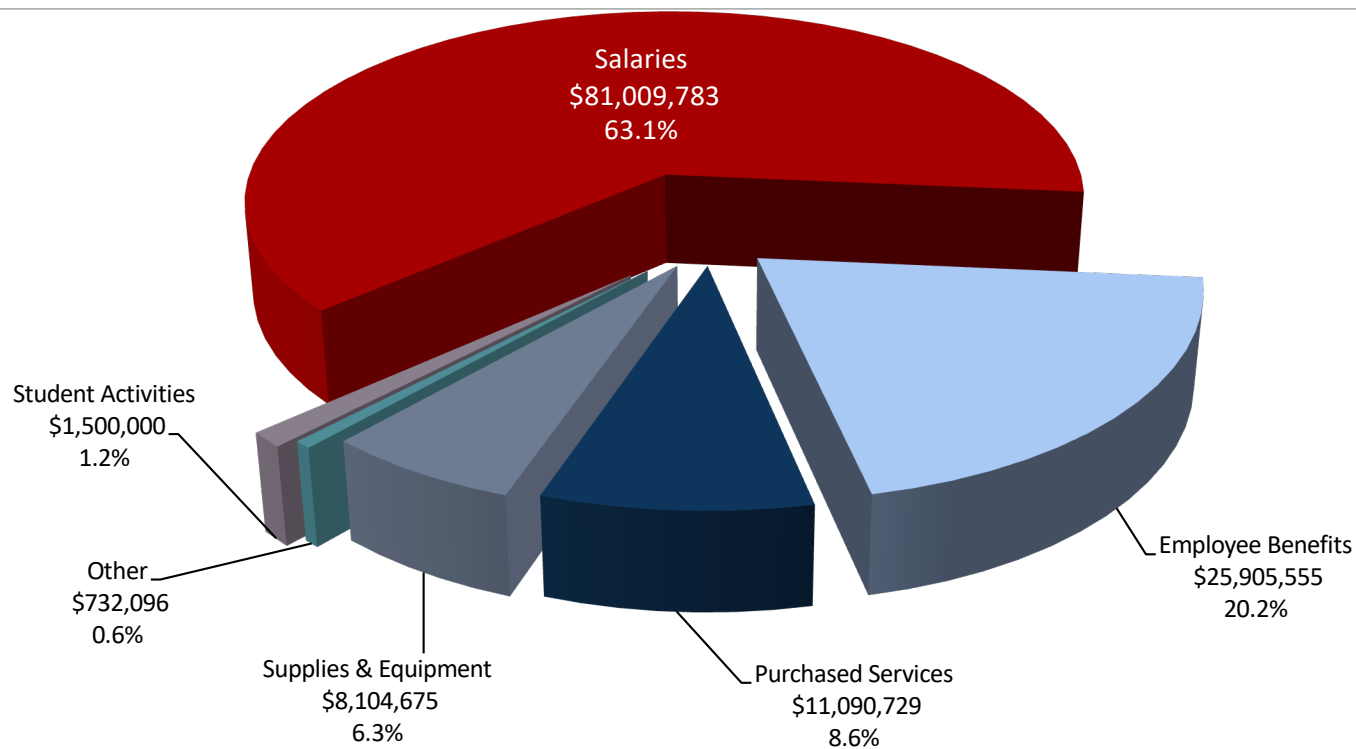
General Fund Revenues

FY 23 Budget - \$124,271,441



General Fund Expenditures

FY 23 Budget - \$128,342,838



Payable 2023 Property Tax Levy

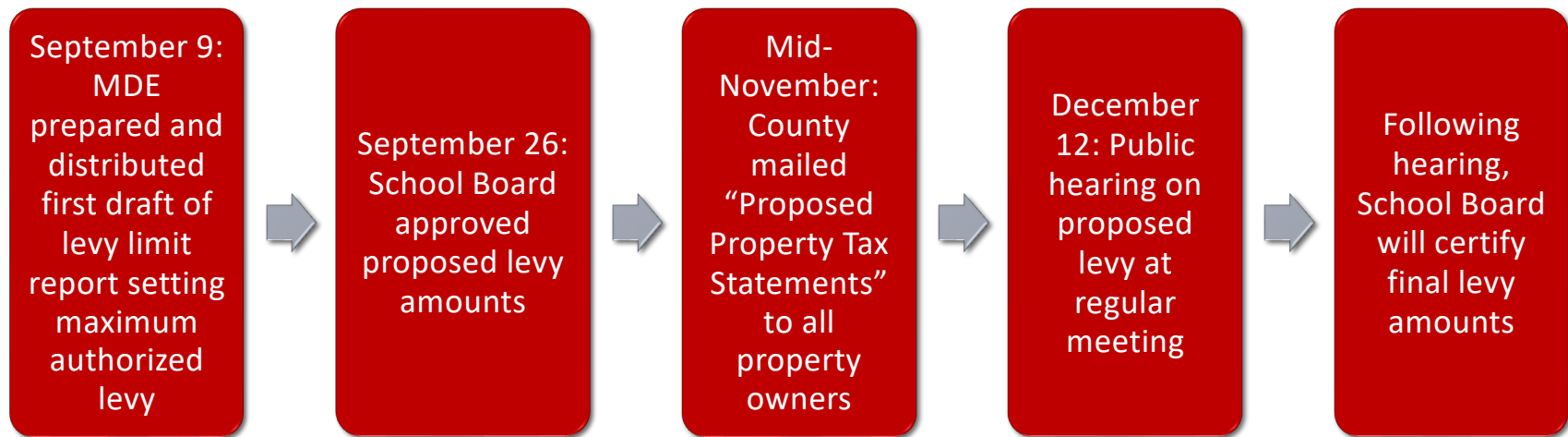
Determination of levy

Comparison of 2022 to 2023 levies

Specific reasons for changes in tax
levy

Impact on taxpayers

Schedule of Events of District's 2022 (Payable 2023) Tax Levy



Just a Note...

- The operating referendum of 2022 impacts tax statements issued for calendar year 2023
- 2023 will mark the 1st year of the operating referendum



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





School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- “Levy limits” (maximum levy amounts) for each category are set by
 - State law
 - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district



Factors Impacting Individual Taxpayer Taxes

Many factors can cause a tax bill for an individual property to increase or decrease from year to year

- Estimated Market Value established by County/City Assessor
- Property Classifications established by state legislature
- Tax levy established by taxing jurisdictions (School, City, County, and others)



Market Value:

Basics of Property Assessment

- Minnesota Law requires that property be valued at its market value
- Assessors physically review 20% of properties annually, but re-value all properties each year
 - Also review properties where permits were issued
- For 1/01/2022 Assessments (Pay 2023), study period is October 2020-September 2021
- Use sales data and computer software to re-value all properties
- Perform a study of recent sales to establish appropriate adjustments to values



Market Value:

Hennepin County Assessment Details 2022

Hennepin County
Property Value
Increase in 2022

+13.3%

- Industrial +17.7%
- Residential +16.7%
- Townhouses +15.7%
- Apartments +15.1%
- Commercial +2.8%



Classified Property Tax System:

Properties are Assigned Class Rates

Property Tax Class	Tax Rate Pay 2023
Residential (Up to \$500,000)	1.00%
Residential (Over \$500,000)	1.25%
Apartments	1.25%
Commercial (Up to \$150,000)	1.50%
Commercial (Over \$150,000)	2.00%
Seasonal Recreational (Up to \$500,000)	1.00%

Note:

The property's taxable market value is multiplied by the class rate(s) to determine the property's tax base, known as its net tax capacity.



Taxing Jurisdictions

Proposed Increases

City of Eden Prairie + 4.50%

Hennepin County + 4.50%

School District + 12.89%

Voter Approved Levies: 20.69%

School Board Approved Levies: 4.39%



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Property Taxes:

Dividing the Property Tax Pie

Tax Burden Shift

- Property values do not rise uniformly across all properties
- The burden of the tax levy shifts from taxpayers with lower increases to those with higher increases
 - Higher increase = Larger piece of the pie

Property Taxes

School Revenue Impact

Property
Value
Versus
Inflation

- Property valuation increases do not change the amount of revenue the district receives
 - (Exception – Capital Project/Technology Levy)
- Inflation does drive additional revenue and helps to offset inflationary expenses



Overview of Levy Changes

Fund	Pay 22	Pay 23	\$ Change	% Change
General	\$41,029,870	\$47,651,257	+ \$6,621,387	+ 16.14%
Community Education	1,210,950	1,261,482	+ 50,532	+ 4.17
Debt Service	8,168,625	7,995,522	- 173,103	- 2.12
Total	\$50,409,445	\$56,908,261	+ \$ 6,498,816	+ 12.89%

Note: Includes an under levy of \$727,209



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Explanation of Levy Changes

General Fund	
Category:	Operating Referendum & Local Optional Revenue
Change:	+ \$4,929,960
Use of Funds:	General operating expenses
Reasons for Increase:	
Voter Approved:	
	Inflation adjusted (CPI) – 2-year increase of 10%, 3-year increase of 15.94%
	2022 election passage generates an additional \$2.5 million/year



Explanation of Levy Changes

General Fund	
Category:	Capital Project Levy (Technology Levy)
Change:	+ \$206,971
Use of Funds:	Technology expenses (Examples include; Infrastructure, hardware (student and staff devices), software (instructional technology))
Reasons for increase:	
Voter Approved:	
	The capital projects levy is based on anticipated net tax capacity (ANTC), which is a factor based on the value of property.



Explanation of Levy Changes

General Fund	
Category:	Long-Term Facility Maintenance (LTFM)
Change:	+ \$1,802,632
Use of Funds:	Deferred capital and maintenance, approved health and safety, increased accessibility to school facilities, and a push towards sustainability projects
Reasons for increase:	
School Board Approved:	
	Increase in pay-as-you go (Paygo), in an effort to reduce debt burden
	Consideration for district-wide debt financing plan



Explanation of Levy Changes

General Fund	
Category:	Building/Lease Levy
Change:	- \$200,891
Use of Funds:	To pay for leasing of space outside of school Examples include; Rental of City Center for the Tassel program, District 287 for special education services, athletic complexes (i.e. ice arena, pool, ski hills, golf courses, graduation venue)
Reasons for decrease:	
School Board Approved:	
	Continued to work on reducing rented space and brining programs in house. (Example includes moving Community Education to the Administrative Services Center)
	Continue to experience increased costs for athletics use of space (ice, pool, ski, golf courses)



Explanation of Levy Changes

Debt Service Fund	
Category:	Debt Service
Change:	- \$173,103
Use of Funds:	To make principal and interest payments on debt
Reasons for decrease:	
School Board Approved:	
	The district refunded (refinanced) multiple long-term facilities maintenance debt issues during 2020, saving the taxpayers money in calendar 2022 and beyond.

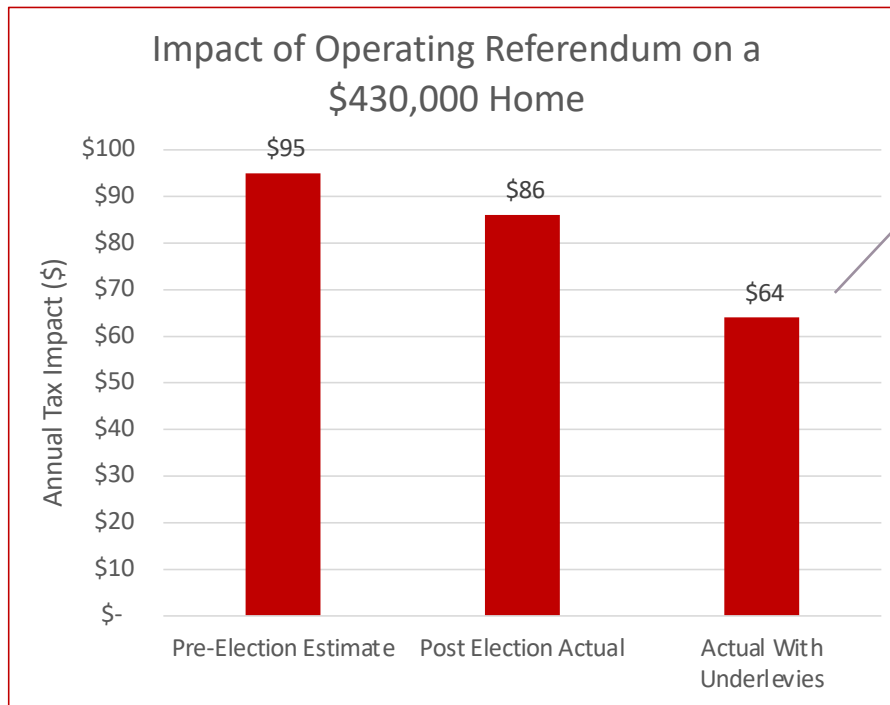


Proposed Levy Reductions

Taxpayer Savings

- General Fund
 - Defer property tax abatements of \$506,865
- Community Service Fund
 - Defer property tax abatements of \$12,933
- Debt Service Fund
 - Permanently reduce property tax abatements of \$207,411

Operating Referendum Impact



Includes School Board underlevies
of \$727,209.46



Overview of Levy Changes

Fund	Pay 22	Pay 23	\$ Change	% Change
Voter Approved	\$ 26,290,786	\$ 31,731,528	+ \$5,440,742	+ 20.69%
School Board Approved	<u>24,118,660</u>	<u>25,176,733</u>	+ <u>1,058,074</u>	+ <u>4.39%</u>
Total	\$ 50,409,445	\$ 56,908,261	+ \$6,498,816	+ 12.89%

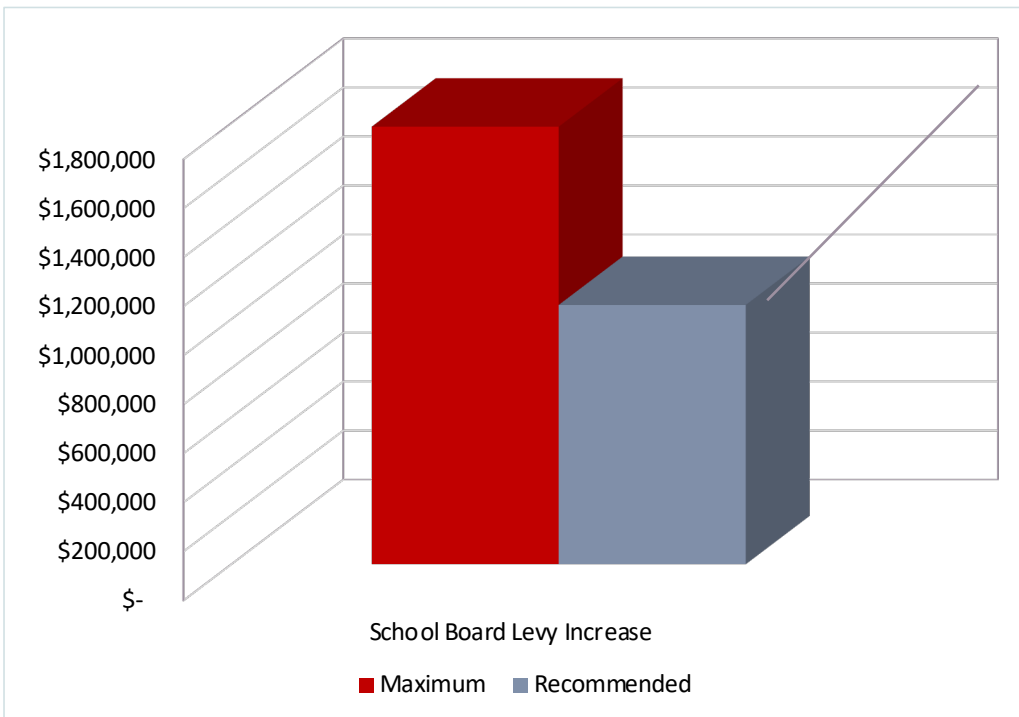
Note: School Board Approved Includes an under levy of \$727,209



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Overview of Levy Changes

School Board Approved Levy Change



Reduces School Board Approved Levies from 7.40% to 4.39%



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Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and an 18.5% increase in property value for residential homes over the past four years
 - 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
- Amounts for 2023 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)



Estimated Changes in School Property Taxes, 2020 to 2023
Based on No Changes in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2020	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Estimated Taxes Payable in 2023			Change in Taxes 2020 to 2023	Change in Taxes 2022 to 2023
					Initial Proposed Levy	Net Change*	Total		
Residential Homestead	\$250,000	\$1,030	\$1,014	\$1,006	\$956	\$38	\$994	-\$36	-\$12
	350,000	1,474	1,452	1,440	1,368	52	1,420	-54	-20
	430,000	1,826	1,799	1,784	1,694	64	1,758	-68	-26
	515,000	2,195	2,163	2,145	2,037	76	2,113	-82	-32
	650,000	2,841	2,801	2,776	2,635	94	2,729	-112	-47
	850,000	3,798	3,746	3,711	3,521	121	3,642	-156	-69

* Net change is increase in operating levy approved by voters and decrease due to underlevies of abatements.

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 2023 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2020 to 2023.

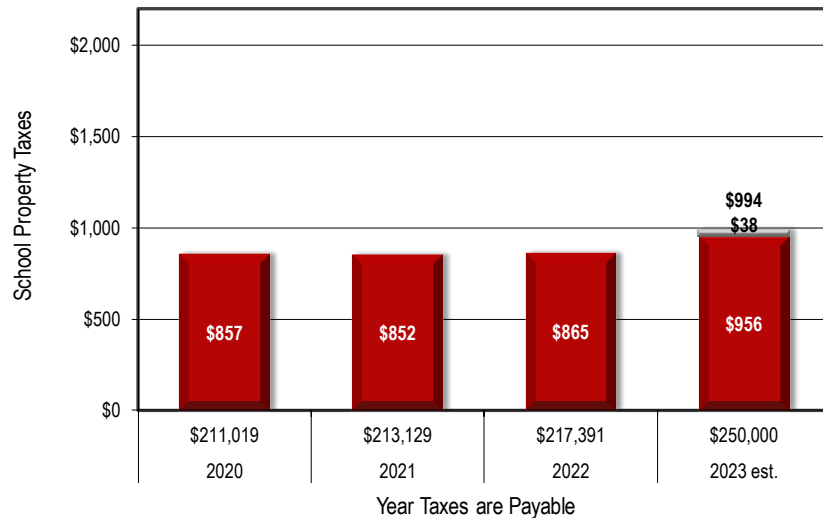


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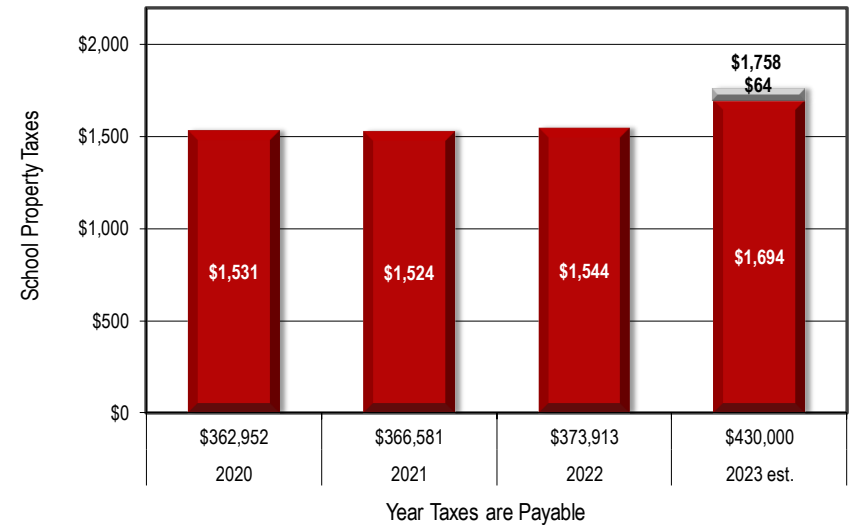
Estimated Changes in School Property Taxes, 2020-23

Based on 18.5% Cumulative Changes in Property Value

Example 1: \$250,000* Residential Homestead Property



Example 2: \$430,000* Residential Homestead Property



*Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 1.0% from 2020 to 2021, 2.0% from 2021 to 2022 and 15.0% from 2022 to 2023.

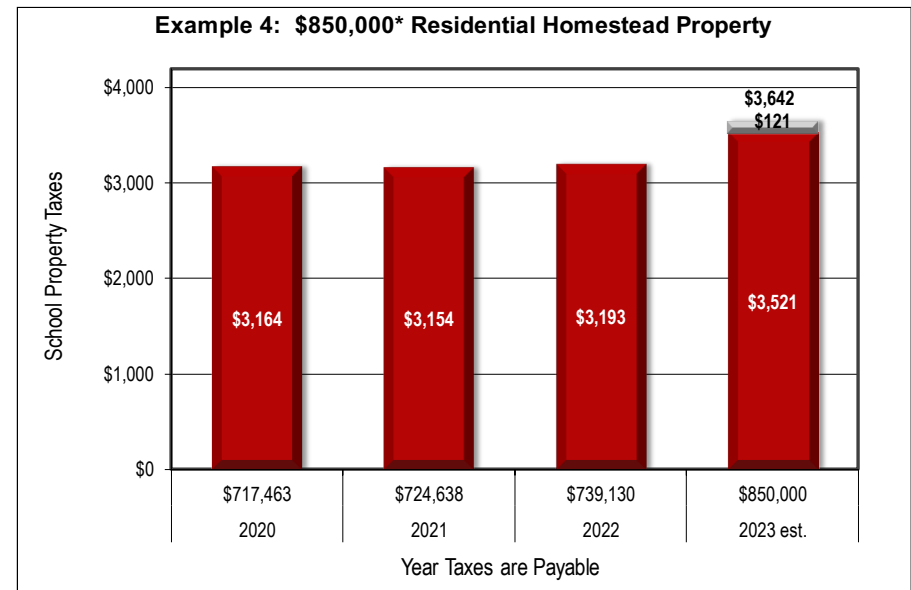
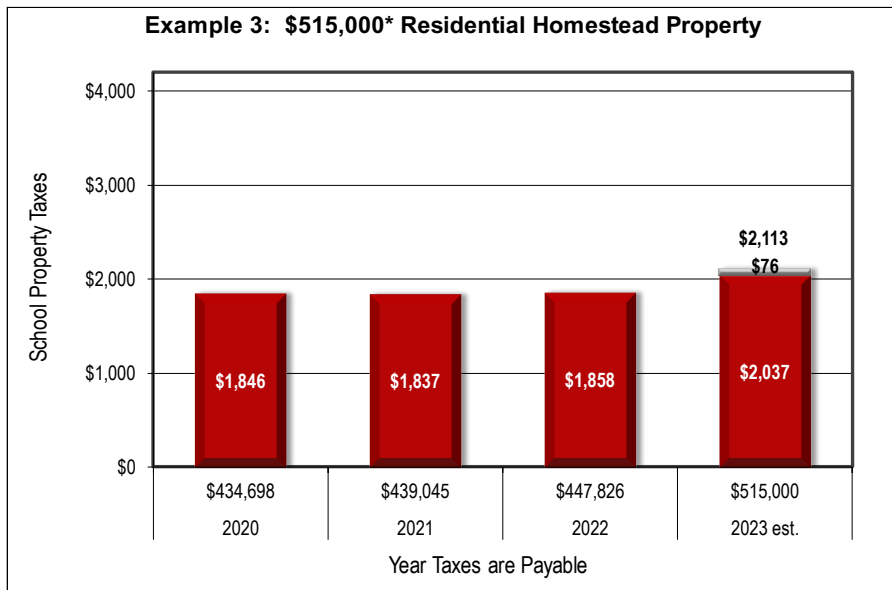
** The lighter portion of the 2023 bar represents the estimated taxes associated with the increase in operating referendum levy approved by voters.



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Estimated Changes in School Property Taxes, 2020-23

Based on 18.5% Cumulative Changes in Property Value



*Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 1.0% from 2020 to 2021, 2.0% from 2021 to 2022 and 15.0% from 2022 to 2023.

** The lighter portion of the 2023 bar represents the estimated taxes associated with the increase in operating referendum levy approved by voters.



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Taxpayer Options

Minnesota Tax Court

- Taxpayers have the right to appeal their property valuation to the local board of appeal and adjustment and County board of appeal and adjustment each spring.
- For Pay 2023, the only option left is to appeal to Minnesota tax court (Open until April 2023)

State Property Tax Refunds & Deferral

Taxpayer Options

- The State of MN 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
 - Visit the Department of Revenue website at www.revenue.state.mn.us



State Property Tax Refunds & Deferral

Homestead Credit Refund

- Regular Refund
 - You owned and lived in your home on January 2, 2022
 - Your household income for 2021 was less than \$119,790
- Special Refund
 - You owned and lived in the same home on January 2, 2021 & January 2, 2022
 - Your home's net property tax increased by more than 12% from 2021 to 2022
 - The net property tax increase was at least \$100
 - The increase was not due to improvements you made to the property
- Refund is a sliding scale, based on total property taxes and income (Maximum refund is \$2,930 for homeowners and \$2,280 for renters)



State Property Tax Refunds & Deferral

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$60,000 or less to defer a portion of property taxes on their home
- You have owned and lived in your home for the last 15 years
- Deferred property taxes plus accrued interest (<5%) must be paid when home is sold or homeowner dies
- 3% of your total household income, state pays remainder as a loan



Next Steps

Accept

Board will accept public comments on proposed levy



Certify

Board will certify 2023 property tax levy

Contact Information

School District Specific Tax Levy Questions:

Jason Mutzenberger, Executive Director of Business Services

jmutzenberger@edenpr.org

(952) 975-7071

To Appeal your Property Valuation:

MN Tax Court

info@taxcourt.state.mn.us

651-297-8737



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Public
Comments