

September 26, 2022

Dear Superintendent Swanson,

The preliminary levy for taxes payable in 2023 is required to be school board approved by September 30th and begins the budget process for FY24. Eden Prairie Schools, along with all school districts across the state, continue to work with the Minnesota Department of Education (MDE) on the preliminary tax levy certification. Included in the board packet you will find a line-item report of the levy along with a presentation.

The levy is not final at this point, and we are asking the school board to approve this preliminary levy at the 'maximum.' This is a customary practice among school districts and is recommended by MDE to allow the Business Office to continue working with them to finalize the amounts that will appear on truth in taxation notices in November.

The documents also include State Aid amounts anticipated for FY24 and we will briefly touch on the differences during the presentation. While the board is not approving these amounts, we believe they help provide a more comparative look at the total district revenue year over year.

There are two major factors impacting the levy this year. First, inflationary conditions across the country have impacted the numbers used to calculate the operating referendum. The referendum includes an inflationary increase which is calculated by MDE using the consumer price index. The FY24 inflation factor is just 2.38%, but the levy includes adjustments to inflation over recent years. The 3-year inflationary factor is 15.94%, resulting in a levy revenue increase of \$2.3 million.

The second factor impacting our levy relates to the large increase in home values. Preliminary estimates from Hennepin County show property value increases between 15-20%. These increases drive up the total value of all property within the school district and brings down the overall tax rate for individual properties. We will be able to provide a precise tax impact for properties when the levy is approved in December.

Some specific items of note for the preliminary levy for taxes payable in 2023 include:

- The preliminary levy totals \$55,162,835 which represents an increase of 9.22%.
- The long-term facility maintenance revenue (LTFMR) is increasing by \$1.7 million. We are intentionally increasing the Paygo levy to keep taxes consistent year over year as part of our long-term financing plan.
- New property growth in Eden Prairie accounts for just 1.1% of the total increase in property values.
- Voter approved levies are increasing by 11.37% whereas school board levies are increasing by 6.86%.
- We will underlevy the debt service fund in the final levy in December, saving the taxpayers money.

The combination of these items will result in an overall levy increase of approximately 9.22% for Eden Prairie Schools. An EP home that did not change in value from 2022-2023 will result in a tax decrease of approximately \$38 per year.

At the September 26th School Board meeting, we propose the school board approve the preliminary tax levy at the maximum for taxes payable in 2023 for Independent School District #272.