

Finance Overview

February 2025



EDEN PRAIRIE SCHOOLS
Inspiring each student every day

Agenda

- Funding 101
- Budget Drivers
 - Revenue
 - Expenditures
- Fund Balance
- Unknowns/Variables
- Financial Forecast
- The Role of Bonds



Funding 101



GENERAL
EDUCATION
AID 

Budget Factors - Largest Drivers

- Revenue:
 - Enrollment, basic formula allowance, tax levy, special education aid, voter approved levies
- Expenditures:
 - Enrollment, salary/benefits, class size ratios, medical insurance rates, property insurance rates, workers compensation, utility rates, inflation impact
- Fund Balance Reserves



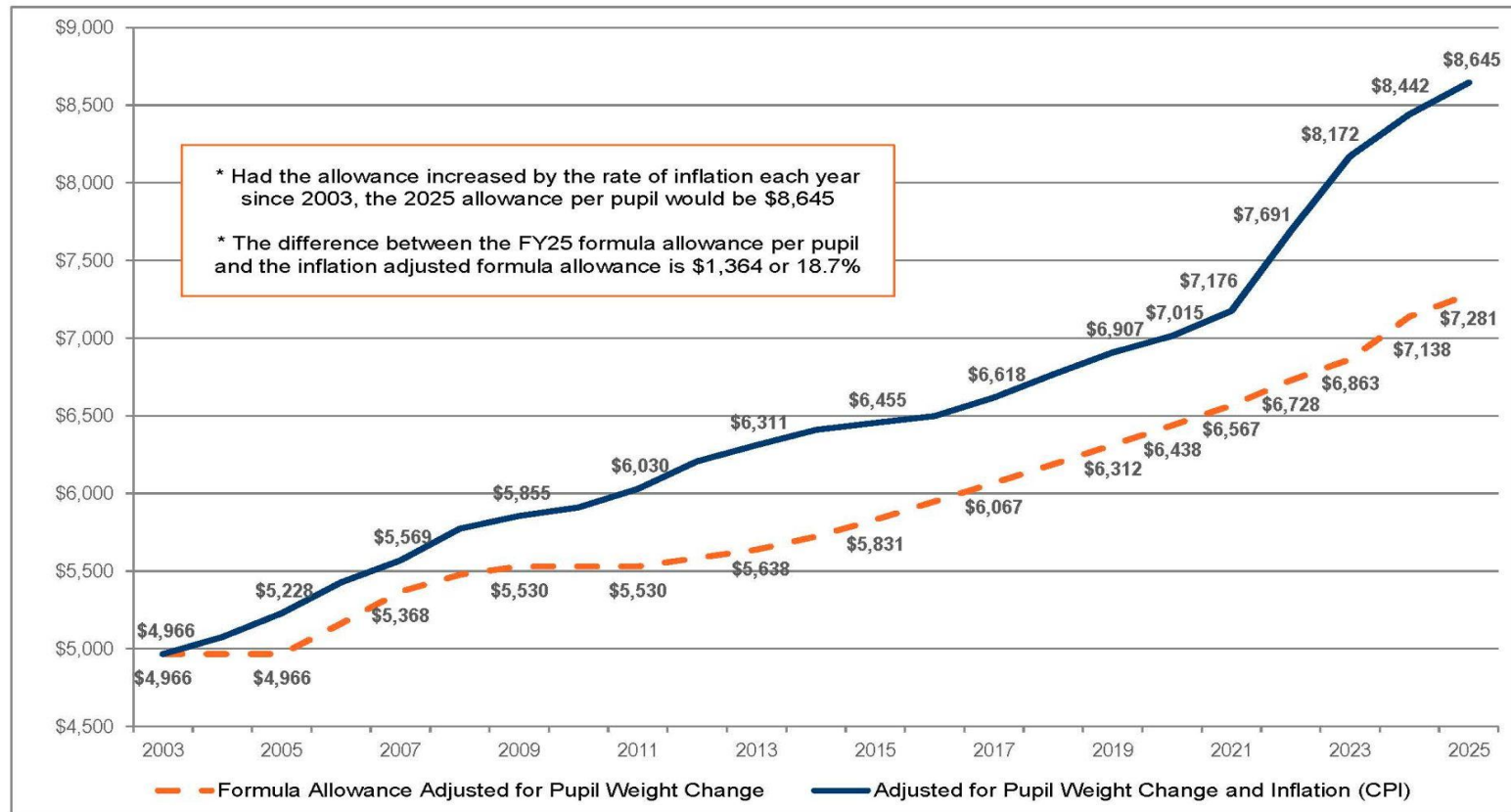
General Education Aid

- Largest source of revenue for the district (55% of GF)
- State funds - used for any operating expense
- Formula Allowance times Adjusted Pupil Units ($\$7,281 \times 9,931$)
 - FY25 = \$72.3 million
- Adjusted Pupil Unit (APU)
 - Total Enrollment = Resident + Open Enrollment + EPO
 - 1.0 weighting - Grades K-6
 - 1.2 weighting - Grades 7-12
 - Preschool is Largely Parent Funded (Tuition)

General Education Aid Formula Lags Inflation

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

Legislative Impact - Gen Ed Aid

- Gen Education Aid Legislation:
 - 2023-24 - 4% increase to formula (\$7,138)
 - 2024-25 - 2% increase to formula (\$7,281)
 - 2025-26 - *Est. 2.43%

*2023 Legislative Session resulted in a new Gen Ed formula indexed to inflation (CPI, no less than 2%, no more than 3%) effective for fiscal year 2025-26.

Voter Approved Levies & Tax Levy

- 2 Voter Approved Levies
 - Operating Referendum expires June 30, 2033
 - Capital Project Levy expires June 30, 2035
- Annual Tax Levy
 - Board approved in December
- New Legislation
 - Allows a school board to renew an operating referendum previously voter approved one time for a maximum of 10 years without voter approval.

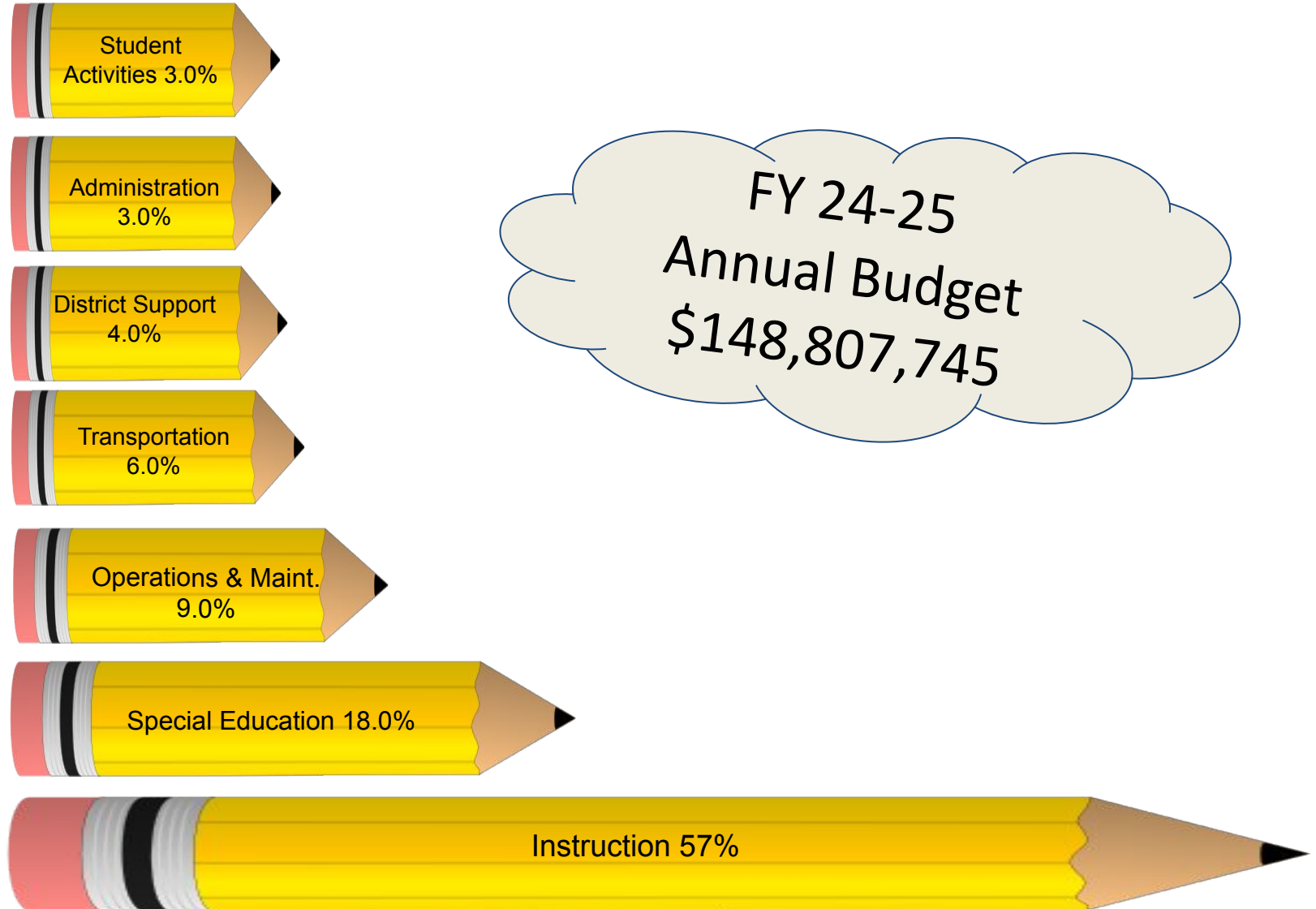
Legislative Impact - Levies

- AMSD:
 - Increase Local Optional Revenue (LOR) from \$724 to \$974 per pupil to recover lost ground to inflation since the establishment of LOR in 2014
- Governor:
 - Did not propose any language

Financial Impact if passed for EPS:

- Ongoing stability to programs and services.

Expenditure Categories - % Spent



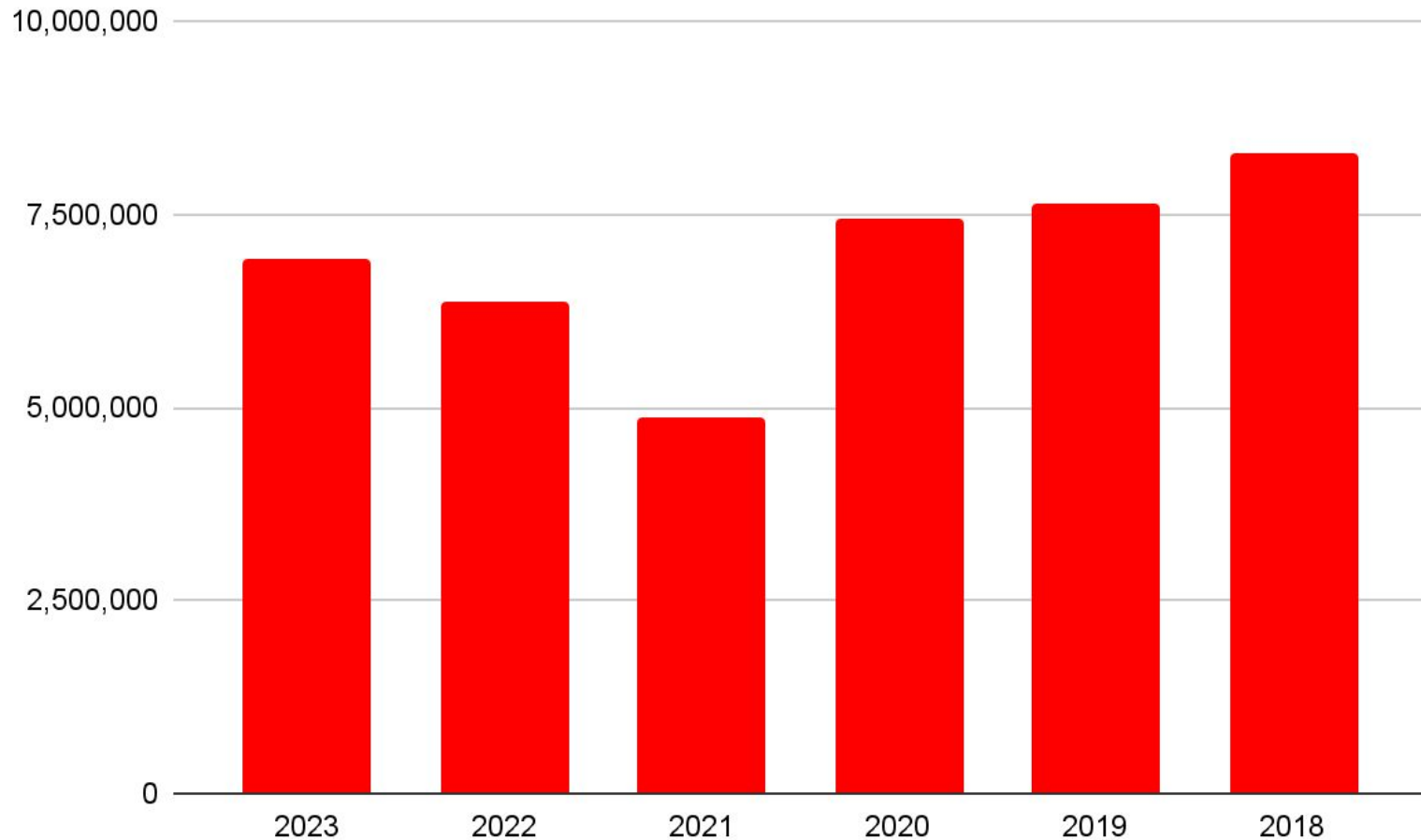
Expenditures

- Budget Assumptions
 - Presented annually in January and March
 - Establishes the budget framework
 - Addresses enrollment, class sizes/ratios, insurance, purchased services, department/building budgets, utilities, etc
- Annual Budget
 - 1st Draft in May
 - Approval in June (Required by law)

Special Education Cross Subsidy

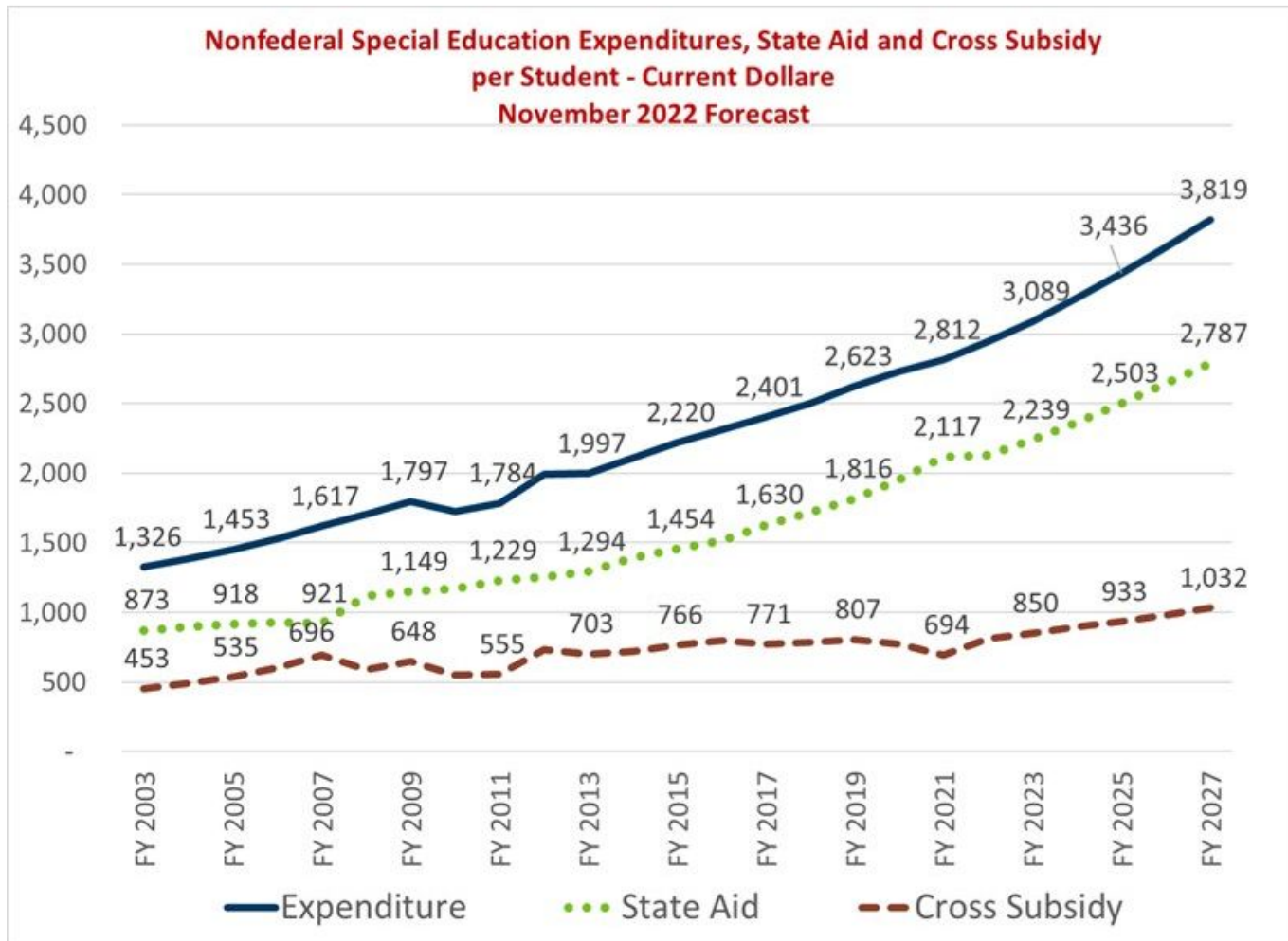
- Definition – The unfunded cost of special education programs for students with disabilities.
 - Revenue includes State, Federal, 3rd Party Billing, and General Education Aid that reasonably follows the student
 - General Fund pays the subsidized portion
 - Additional Aid to cover 44% of cross-subsidy for fiscal years 2024, 2025 & 2026, up from 6.43% in 2023

EP - Special Education Cross Subsidy



Expenditure

State-Wide SpEd Cross Subsidy



Expenditure

Legislative Impact - SpEd Cross Subsidy

- AMSD:
 - Fully Fund, eliminate the cross subsidy
- Governor:
 - Reduction of 5% of Special Education transportation reimbursement costs

Financial Impact of Governor's proposal for EPS:

- Based on the variable expenses, we assume this could result in decreased revenue of \$350,000, annually.

Fund Balance (District Policy 714)

- **Non-spendable** – not in spendable form or legal requirement
 - Prepaid items, Inventories
- **Committed** – used for specific purpose by formal board action
- **Restricted** – legally enforceable constraints
 - Operating capital, health & safety, basic skills, staff development
- **Assigned** – district's intent for specific purpose
 - Capital, site carryover
- **Unassigned** – for all other purposes not described by other categories
 - Used to calculate Statutory Operating Debt (SOD)
 - Used to calculate compliance with board policy
 - The fund balance mostly widely referred to by individuals



Why Have a Fund Balance?

- Necessary for unknown situations:
 - Irregular payments of state and local revenues
 - State aid proration, metering of payments, tax shift, state shut down
 - Mandated but not funded programs
 - Higher utility costs
 - Greater than expected inflation
 - Changes in enrollment and state funding
 - Pandemics!
- Sound fiscal management has a long term positive impact on the success of students
- Validates fiscal credibility with various reporting constituencies, including establishing a good credit rating
- Minimum of 8% per School Board Policy



Budget Unknowns/Variables

- State Funding
- Federal Funding
- Enrollment
 - EPO impact, Kindergarten
- Staffing
 - Retention & Recruitment (Shortages)
 - Teacher Retirements
- Facility Needs
- Housing Changes within the City
- Inflation, Supply Chain

5-Year Financial Forecast

Referendum	Year 2	Year 3	Year 4	Year 5	Year 6
Fiscal Year	2024-25	2025-26	2026-27	2027-28	2028-29
Unassigned Fund Balance \$	\$20,877,413	\$19,154,951	\$15,669,459	\$12,401,689	\$9,127,932
Fund Balance %	14.39%	12.87%	10.32%	8.04%	5.82%



The Role of Bonds

- General Obligation School Building Bonds
- General Obligation Facilities Maintenance Bonds
- Refunding Bonds
- Certificates of Participation (COPs)



Bonds - Debt Management

Eden Prairie Schools, ISD 272

Estimated Tax Rates for Capital and Debt Service Levies

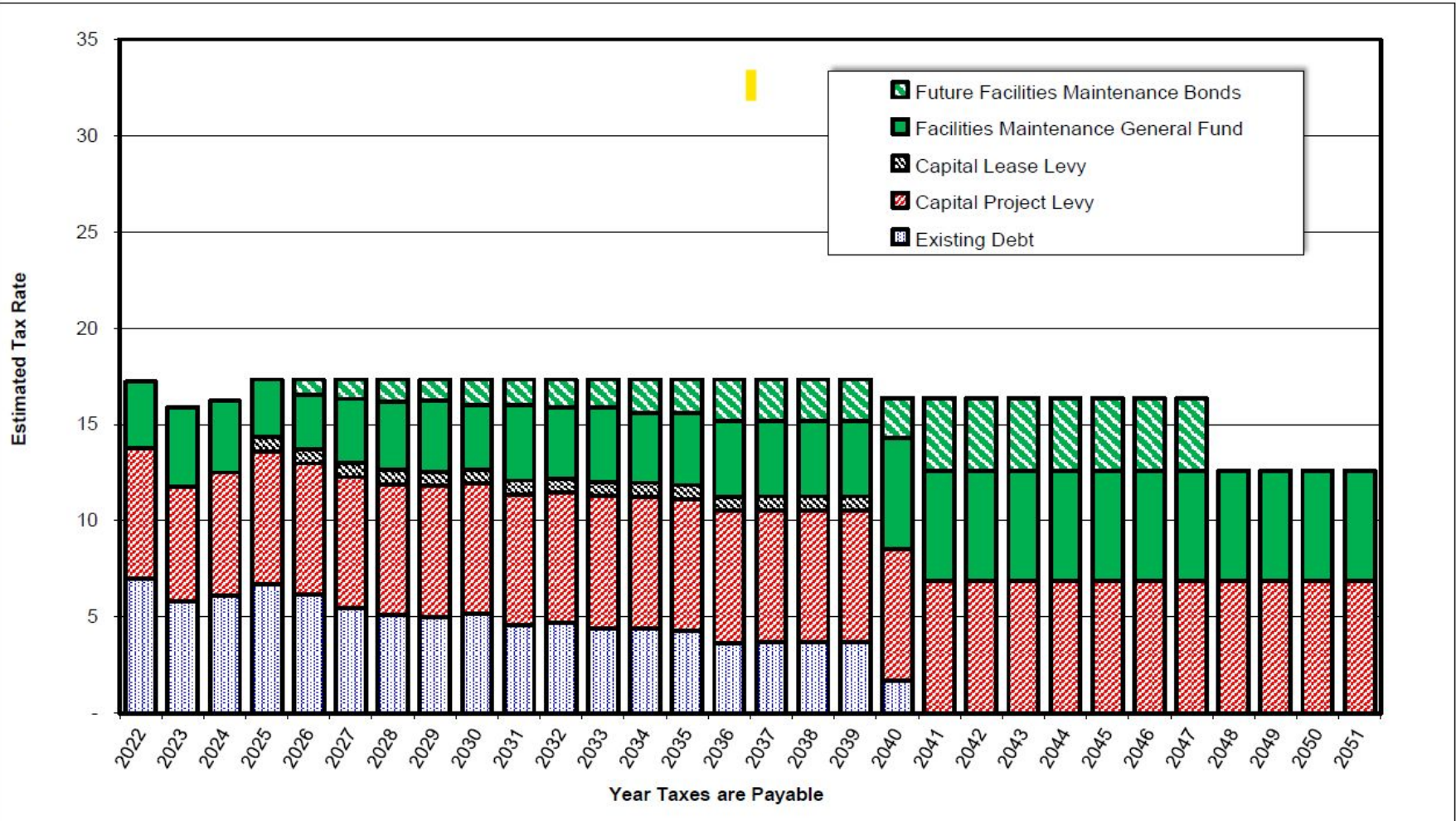
5 Future Facilities Maintenance Bond Issues (\$5M to \$16M)

Wrapped Around Existing Debt

LTFM Project Costs: \$7 to \$16 Million thru FY 2034

Date Prepared:

January 21, 2025



EDEN PRAIRIE SCHOOLS

Resources

- School District Website - Finance Department
- Minnesota Department of Education Website
 - MN School Finance History 1849-2019 (MDE)
- MN School Finance-Guide for Legislators (2024)
- Ehlers Public Finance Advisors





THANK YOU



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