

To: Board of Education
Dr. Stacie Stanley - Superintendent

From: Mert Woodard - Director, Finance & Operations

Date: September 24, 2024

Subject: Recommendation of the Payable 2025 Preliminary Property Tax Levy Certification to Finance a Portion of the 2025-2026 School Year Operations

The District has received the Payable 2025 Preliminary Levy Limitation and Certification report from the Minnesota Department of Education (“the MDE”). Based on state authorization, enclosed are several sections of information summarizing the District’s preliminary property tax levy for your consideration.

The District’s payable 2025 levy must be certified by the Board of Education and submitted to the County Auditor by September 30, 2024. Typically, once the District has submitted its preliminary tax levy certification to the county auditor, it can only be increased with authorization from the MDE. However, individual items may be decreased by the Board of Education prior to final approval, which will occur in December 2024. The District administration will formally recommend approval of the preliminary tax levy at the maximum amount allowable by law.

The District’s property tax levy is allocated to individual parcels of property within the District using formulas based upon market values assessed by Hennepin County. The preliminary estimate of the District’s total assessed referendum market value (RMV) is estimated to increase by \$1.01 billion from \$12.55 billion to approximately \$13.56 billion. This represents a 12.77% increase in market value and includes existing and new properties. The net tax capacity (NTC) of properties in the District is estimated to increase by 8.36%. A sample of individual parcel school property tax estimates will be available prior to approval of the final levy scheduled in December.

Legislative changes combined with revenue formula adjustments, student enrollment growth, and fluctuations to individual taxpayer market values add complexity to a school district’s local property tax levy. The purpose of this document is to discuss the significant changes that have occurred in the payable 2025 levy and to provide clarity to the Board of Education and to the community.

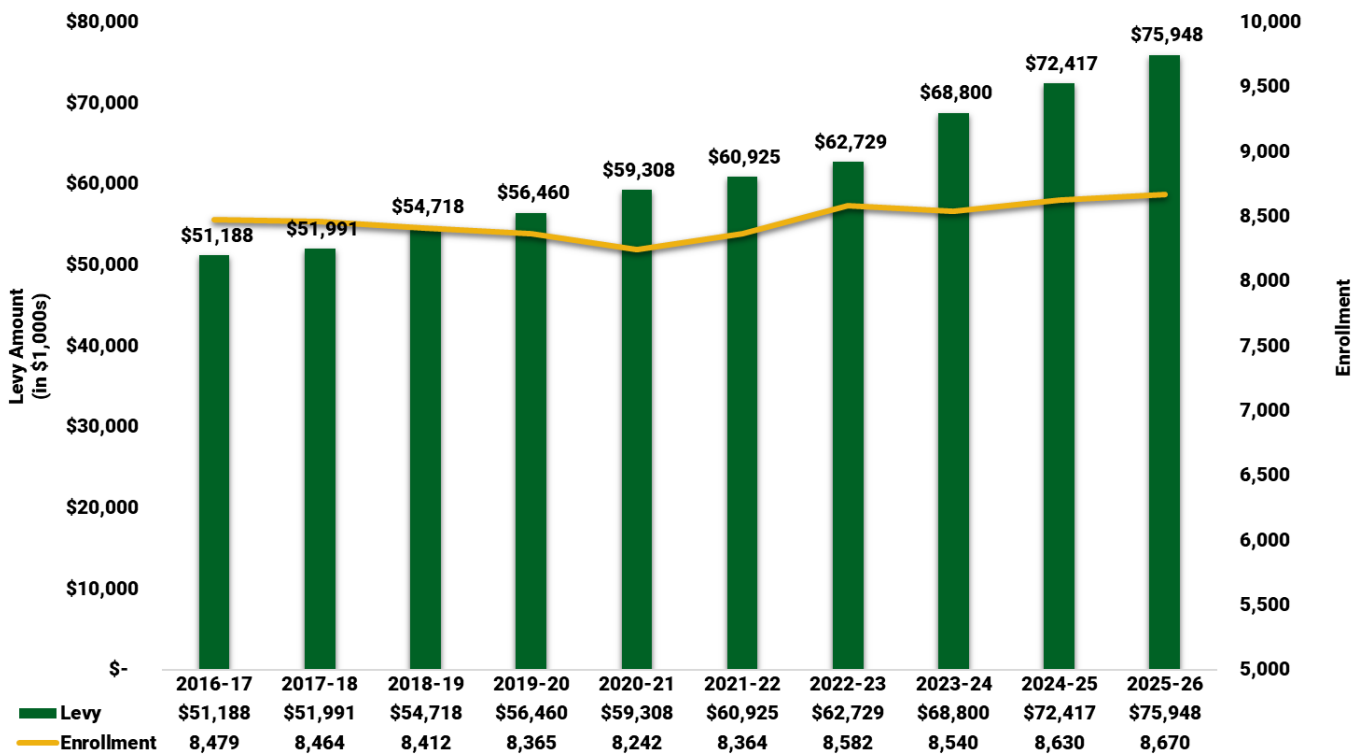
PROPOSED PROPERTY TAX LEVY

The District’s total preliminary levy for taxes payable in 2025 is approximately \$75.95 million. This amount represents an overall increase of just under \$3.53 million or 4.87% from the previous year.

The following table shows a comparison of the preliminary levy payable in 2025 with the District’s certified levy payable in 2024. While the levy detail is presented by fund, it is important to focus on the District’s total payable 2025 levy when comparing to the total payable 2024 levy:

Fund	2024	2025	Change	
	Certified Levy	Proposed Levy	(\$)	(%)
General	\$56,342,167	\$56,501,799	\$ 159,632	0.28%
Community Service	1,398,027	1,535,903	137,876	9.86%
Debt Service	14,677,525	17,909,956	3,232,431	22.02%
Total Levy	\$72,417,719	\$75,947,659	\$3,529,940	4.87%

Year over year changes to the District’s property tax levy are due to some or all of the following: legislative changes, enrollment changes, voter approved referendums, population changes, market value changes, the debt service payment schedule, and to a lesser degree, decisions made by District administration and the Board of Education. The following chart displays the District’s total levy and enrollment history over the last decade:



As displayed on the chart above, the District has experienced relatively stable student enrollment in recent years, excluding 2020-21 which was greatly impacted by the COVID-19 pandemic. Over the course of the previous five years the District’s total levy has seen an average yearly increase of 5.13%. The District’s property market value growth, 6.15% over the last five years, has minimized the tax impact to the property owners within the District’s boundaries. The following pages provide a detailed analysis of the levy by fund.

GENERAL FUND

Exhibit I provides a detailed description of the levy components that comprise the proposed levy recommendation for the General Fund. Overall, the General Fund levy will increase by 0.28% or \$159,633.

The District’s projected student enrollment for the 2024-25 school year combined with an inflationary increase to the per pupil amount, translates directly into a modest increase to the District’s total operating referendum. The voter-approved per pupil operating referendum amount for taxes payable in 2025 is \$2,261 compared

\$2,197 the prior year. It is important to note that the District's levy amounts also include adjustments for changes in final 2023-24 enrollment, estimated 2024-25 enrollment and projected 2025-26 enrollment, as well as adjustments to the per pupil amount as estimated inflation becomes actual inflation.

In 2021 District voters authorized an increase to the annual capital projects levy which funds technology expenditures such as student and staff devices, district-wide technology infrastructure, software licenses and support, and other capital expenditures allowed by state statute. The payable 2025 capital projects levy is \$9.18 million, \$708,248 more than the prior year. The capital projects levy is not tied to student enrollment but rather is a specific tax rate applied against the NTC of the District. As the District's NTC grows, the capital projects levy will grow by the exact same percentage.

The District levies a portion of its Long-Term Facilities Maintenance (LTFM) revenue on a pay-as-you-go basis to finance deferred maintenance projects on school facilities, improve accessibility, and meet health and safety requirements. To receive revenue, the Board of Education must annually approve a ten-year plan which is subsequently submitted to the MDE for approval. For the payable 2025 levy the District will levy \$9.99 million, a decrease of \$1.98 million from the prior year. The District issues LTFM bonds to provide adequate cash flows to complete deferred maintenance projects at an accelerated rate. As debt matures and principal and interest payments change, the District adjusts its pay-as-you-go levy accordingly to minimize or even eliminate increases the tax rate related to capital levies.

The General Fund levy also includes several other levies that are primarily formula driven and have changed either due to revised estimates, enrollment fluctuations or increases in the District's tax capacity. These levy amounts are authorized by statute and the District must levy for each component or risk losing the revenue, or in some cases, lose a corresponding state aid.

The District recently launched a K-5 Spanish immersion program at one of its elementary school sites. The program requires the construction of additional facilities, which are eligible to be financed with lease levy authority. The principal and interest payments for fiscal year 2026 are estimated to be \$1.36 million, which is in addition to other leases and financed building additions from prior years. This levy component also includes authority granted to Intermediate School District 287, a service cooperative of which the District is a member. The District's total lease levy is \$2.33 million, up from \$2.26 million in 2024.

The Other Post-Employment Benefits (OPEB) levy represents the unfunded actuarial assumed liability (UAAL) as calculated by the District's actuary under the Government Accounting Standards Board Statement No. 75 (GASB 75). The District administration also pays close attention to abatements and to other adjustments as large swings can have a large impact on the District's total levy. These amounts are calculated by the MDE.

Overall, each individual component of the General Fund levy has been reviewed for reasonableness and accuracy with the corresponding formula that drives its calculation. The District administration recommends approval of presented amounts.

COMMUNITY SERVICE FUND

Exhibit I provides a detailed analysis of the proposed levy recommendation for the Community Service Fund. These levies are based on statewide tax rates applied to all property in the state as well as the specific populations of taxing jurisdictions. The school age care levy, which supports children participating in school age care programs that require special needs, is estimated to be \$660,000, the same as the prior year. The school age care levy combined with prior year adjustments and other minor increases results in a total increase to the Community Service Fund levy of \$137,876 or 9.86%.

DEBT SERVICE FUND

Exhibit I provides a detailed analysis of the proposed levy recommendation for the Debt Service Fund. The District is required to levy 105.0% of scheduled principal and interest payments on general obligation debt. To

compensate for this, negative debt excess adjustments are made in subsequent years. The District finances a portion of its Long-Term Facilities Maintenance program through bonded debt. The principal and interest payments related to those issuances are reflected in the Debt Service Fund and not the General Fund.

At the September 9, 2024, Regular Meeting of the Board, the Board formally announce its intention to issue additional facilities maintenance bonds and capital notes. To ensure that adequate cash is on-hand to make the August 2025 and February 2026 debt service payments on the new debt, the District has requested from the MDE that an additional amount of debt excess retained, rather than using existing cash or utilizing capitalized interest.

Overall, the District's debt service levy for taxes payable in 2025 will increase by 22.02% or \$3.23 million compared to the prior year.

TAX IMPACT

Residents of the District often pay close attention to changes to the District's property tax levy as this directly affects the amount they will pay individually in property taxes. In the state of Minnesota, the amount a property owner will pay in property taxes is *mostly* determined the type of property, the estimated market value of the property, the estimated market value of all other properties, and the aggregate amount levied by taxing jurisdictions in which the property resides. Although the District's property tax levy for taxes payable in 2025 is estimated to rise by 4.87%, the estimated RMV increase of 12.77% and estimated NTC increase of 8.36% means that the majority of property owners will experience modest increases if not a *decrease* to the amount of property tax they pay that is attributable to the District. It is important to note that this calculation assumes that individual parcel values remain unchanged from the prior year. This calculation also excludes any taxes levied by other jurisdictions, such as the City of Edina. A detailed analysis of the tax impact to property owners will be shared when calculations are available.

SUMMARY AND TRUTH IN TAXATION LAW

The Payable 2025 Preliminary Property Tax Levy represents the total impact, across all funds, of the District's legislated property tax levy authority. As the state continues to refine the 39 pages of formulas that derive levy amounts, it is important to note that changes may still occur, and the information provided throughout this memo should be considered estimates and not facts at this time. State law allows local school boards to simply approve a "maximum" preliminary levy certification to allow positive changes to be made after September 30th, which will then be reflected in the parcel specific notices mailed out this fall. The District administration recommends that the Board of Education approve the maximum levy amount. The Board of Education retains the option to subsequently reduce the amount of the levy prior to certifying the levy in December 2024.

The public will have the opportunity to speak to the Board of Education about Edina Public Schools' budget and property tax levy at the required Truth and Taxation hearing, which is scheduled to take place at the Regular School Board Meeting at 7:00 p.m. on December 2, 2024 at the Edina Community Center.

Property Tax Levy Comparison

TAXES PAYABLE IN 2025 VS 2024 EXHIBIT I

Fund	Levy Component	Payable 2024 for FY2025	Payable 2025 for FY2026	Change (\$)	Change (%)
General Fund	* 1st Tier RMV Referendum	\$ 4,346,724	4,364,199	\$ 17,475	0.40%
	* 2nd Tier RMV Referendum	10,018,726	10,495,425	476,699	4.76%
	* Unequalized RMV Referendum	6,399,512	6,587,854	188,342	2.94%
	1st Tier Local Optional	2,830,348	2,841,745	11,397	0.40%
	2nd Tier Local Optional	4,006,546	4,022,653	16,108	0.40%
	Equity Levy	472,470	656,765	184,295	39.01%
	* Capital Projects Referendum	8,476,346	9,184,594	708,248	8.36%
	OPEB PAYGO	1,400,891	1,707,072	306,181	21.86%
	Operating Capital	1,582,999	1,661,683	78,684	4.97%
	Alt. Teacher Comp (Q Comp)	781,664	791,617	9,954	1.27%
	Achievement & Integration	420,405	419,363	(1,042)	(0.25%)
	Reemployment	160,000	30,000	(130,000)	(81.25%)
	Career & Technical Education	244,652	297,642	52,991	21.66%
	Safe Schools	340,178	341,546	1,368	0.40%
	Safe Schools Intermediate 287	141,741	142,311	570	0.40%
	Building Lease Levy	2,264,143	2,337,743	73,600	3.25%
	Long-Term Facilities Maintenance	11,974,428	9,997,582	(1,976,846)	(16.51%)
	Adjustments - RMV	577,922	624,319	46,398	8.03%
	Adjustments - NTC	(371,670)	(368,747)	2,923	(0.79%)
	Adjustments - Abatement	274,143	366,433	92,290	33.67%
	Total General Fund Levy	\$ 56,342,167	\$ 56,501,799	\$ 159,633	0.28%
Community Service Fund	Basic Community Education	\$ 349,681	\$ 349,681	\$ -	0.00%
	Early Childhood Family Education	315,447	330,050	14,603	4.63%
	Home Visiting	9,677	9,450	(227)	(2.34%)
	Adults with Disabilities	9,451	8,750	(700)	(7.41%)
	School-Age Care	660,000	660,000	-	0.00%
	Abatement Adjustments	4,888	6,023	1,135	23.22%
	Other Adjustments	48,883	171,948	123,065	251.75%
		Total Community Service Fund Levy	\$ 1,398,027	\$ 1,535,903	\$ 137,876
Debt Service Fund	* Debt Service - Voter Approved	\$ 7,001,610.00	\$ 7,115,273	\$ 113,663	1.62%
	Long-Term Facilities Maintenance Debt Service	8,308,139	11,340,472	3,032,333	36.50%
	Debt Excess	(726,921)	(664,441)	62,480	(8.60%)
	Abatement Adjustments	94,697	118,652	23,956	25.30%
		Total Debt Service Fund Levy	\$ 14,677,525	\$ 17,909,956	\$ 3,232,431
	Total Property Tax Levy	\$ 72,417,719	\$ 75,947,659	\$ 3,529,940	4.87%

Notes:

- 1) Levy components preceded by "*" are voter-approved.
- 2) Values within the "Payable 2024 for FY2025" column are representative of the certified levy for taxes payable in 2024 plus county auditor adjustments.