



EDEN PRAIRIE SCHOOLS

Inspiring each student every day

Public Hearing for Taxes Payable in 2024

DECEMBER 11, 2023

PRESENTED BY:

JASON MUTZENBERGER,
EXECUTIVE DIRECTOR OF
BUSINESS SERVICES

Minnesota State Law Requires:

A Public Meeting...

- Between November 24th & 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 2024**
- 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



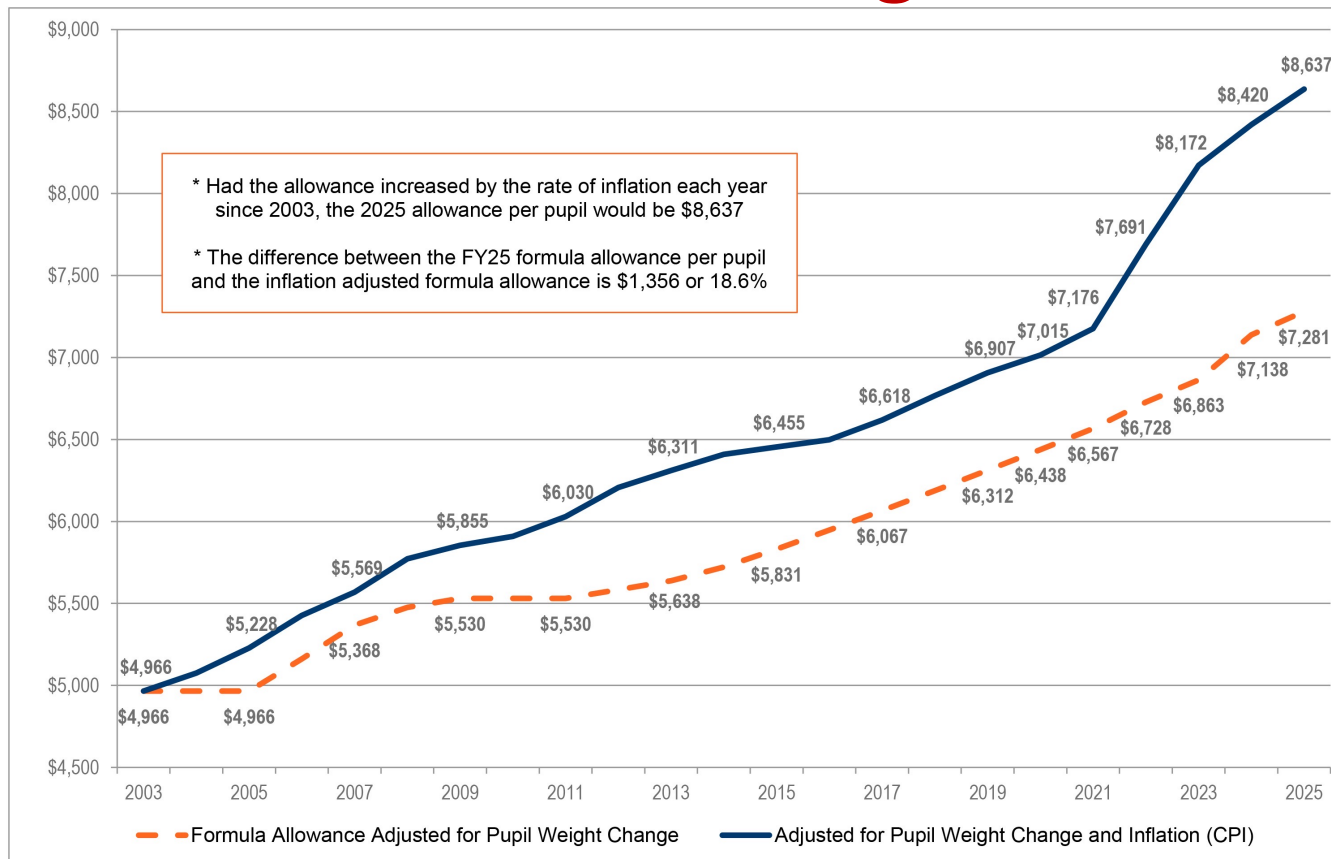
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Challenge: State Set Basic General Education Formula Lags Inflation

- Since FY03, state General Education Revenue formula has not kept pace with inflation
- For FY24, Legislature approved an increase of 4.00%
- Per-pupil allowance for FY25 of \$7,281 would need to increase by another \$1,356 (18.6%) to have kept pace with inflation since FY03



Education Formula Lags Inflation

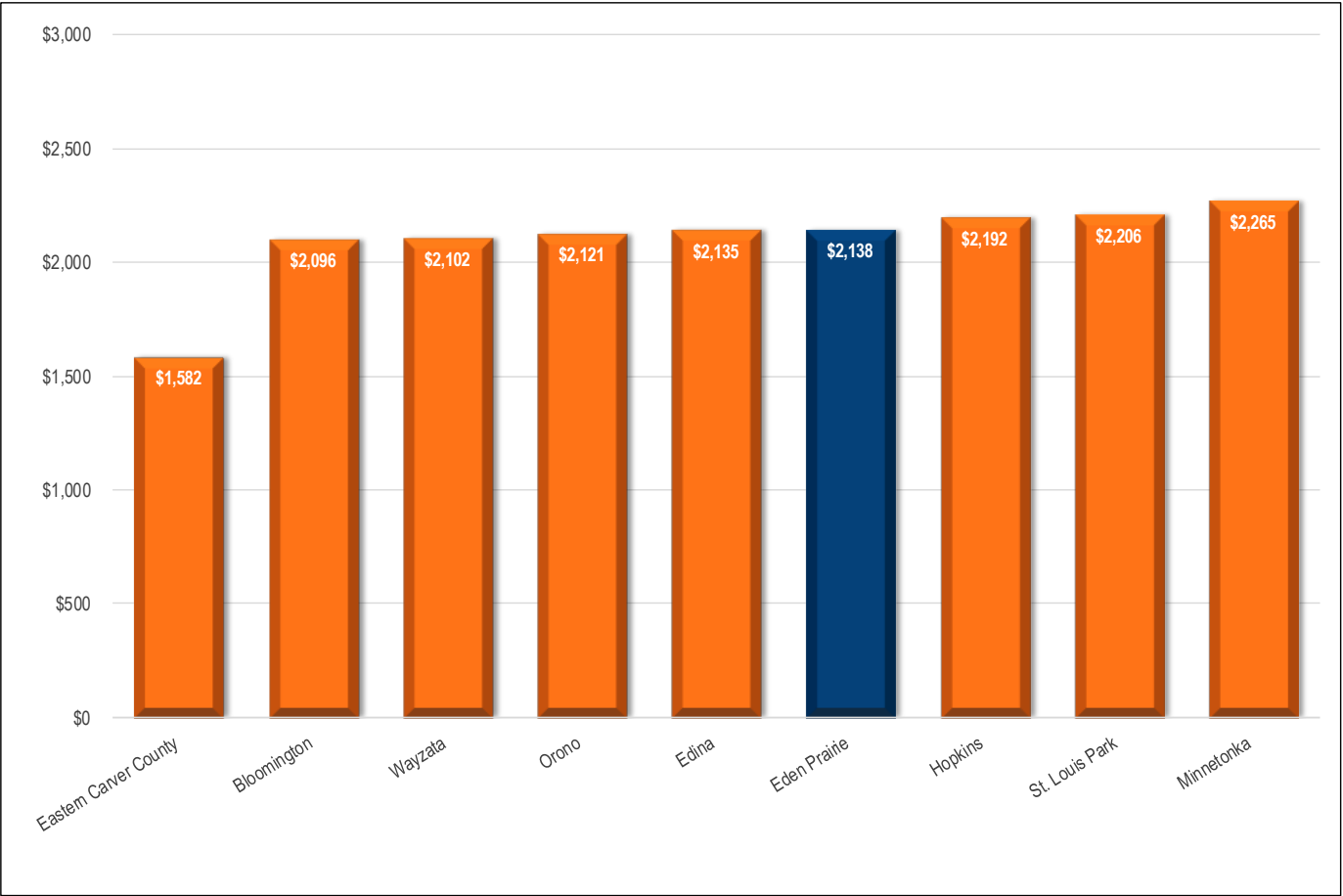


Referendum Need

Result:

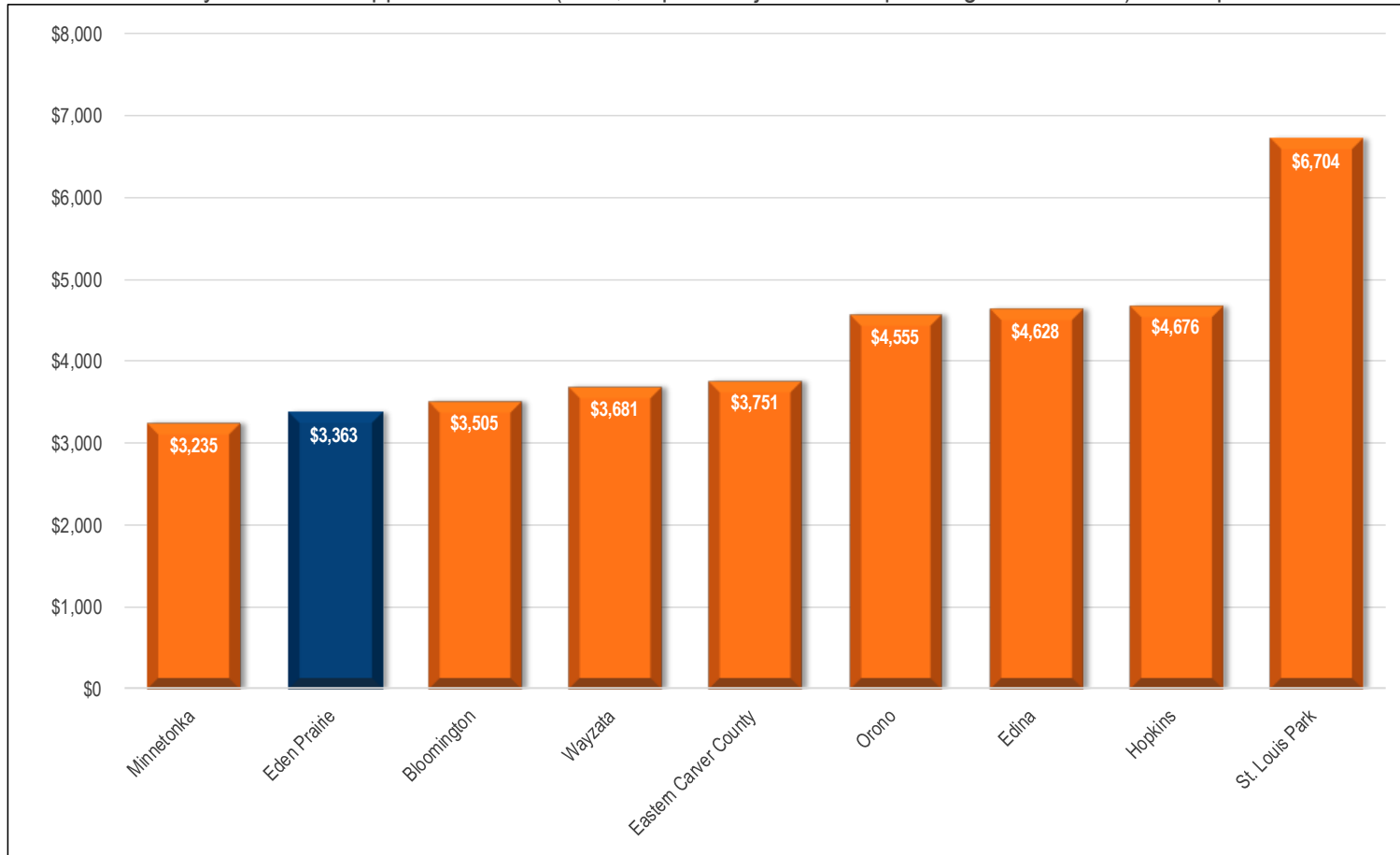
- Growing dependence on referendum revenue to bridge the gap in state funding

Voter Approved Referendum Authority Per Pupil Unit FY 2023-24 (Excludes Local Optional Revenue)



Source: MDE Levy Report for Taxes Payable in 2023, MDE Referendum Phaseout Spreadsheet 6/30/2023

Pay 2023 Voter Approved Levies (Debt, Capital Projects and Operating Referendum) Per Pupil



Source: Pay 2023 School Tax Report

Pupil: MDE Estimated FY 2024 Enrollment, WhatIf FY24 (6-26-23)

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
- 2024 taxes provide revenue for 2024 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2024 taxes provide revenue for 2024-25 school year
- Budget will be adopted in June 2024



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 2024-25 budget will be set in June 2024.

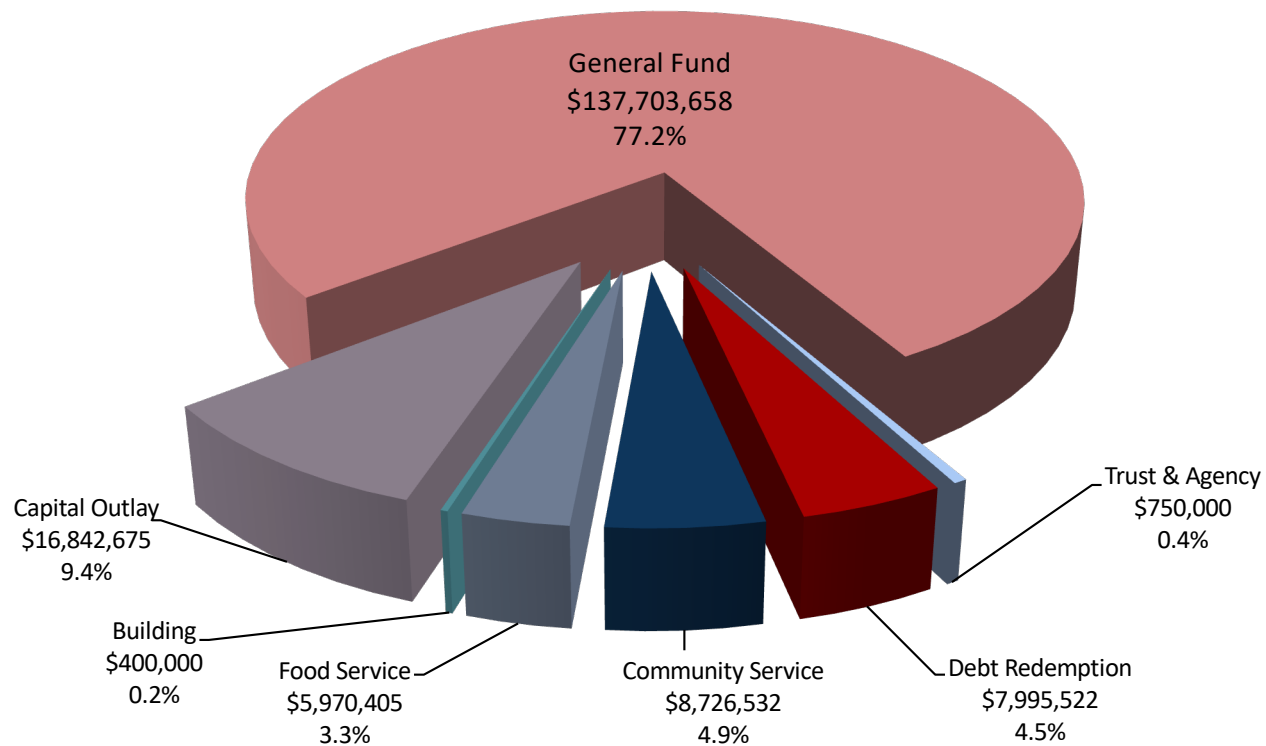
All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

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)

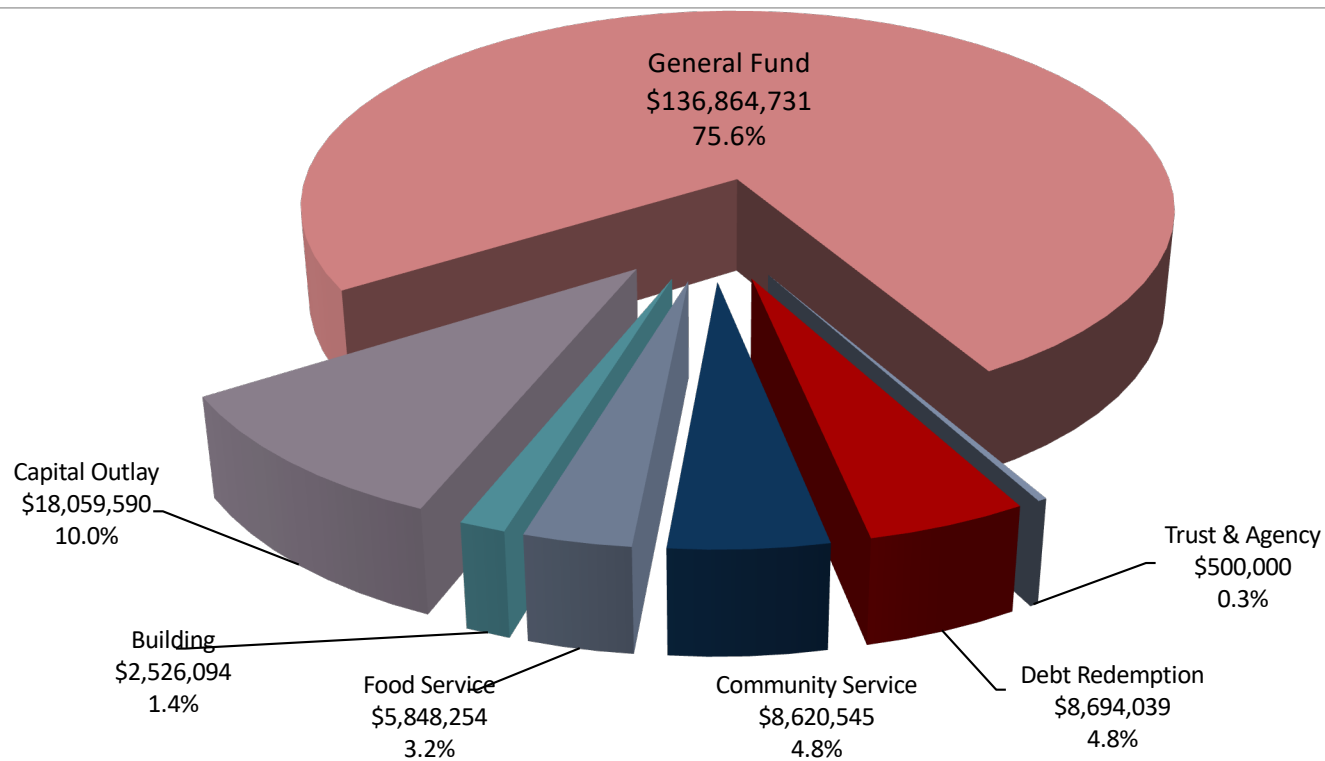
Revenues - All Funds

FY 24 Budget Total - \$178,388,792



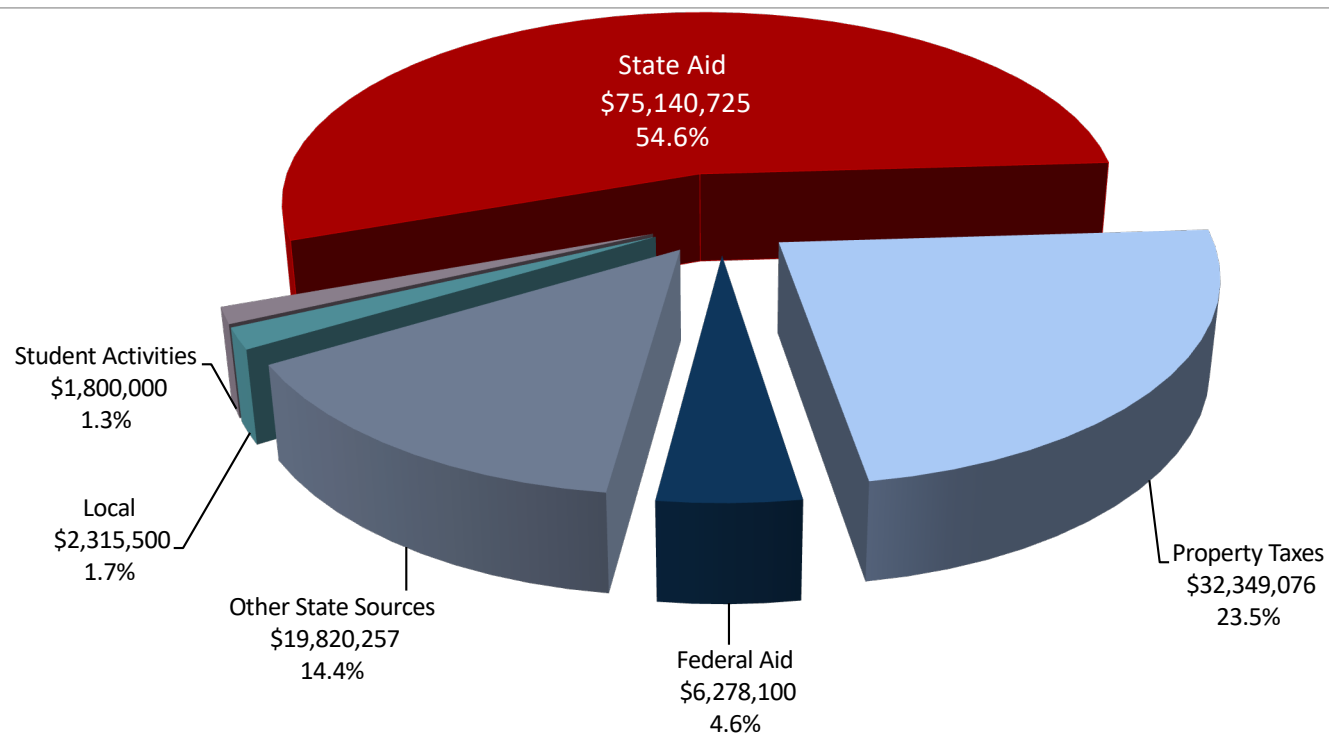
Expenditures - All Funds

FY24 Budget Total - \$181,113,253



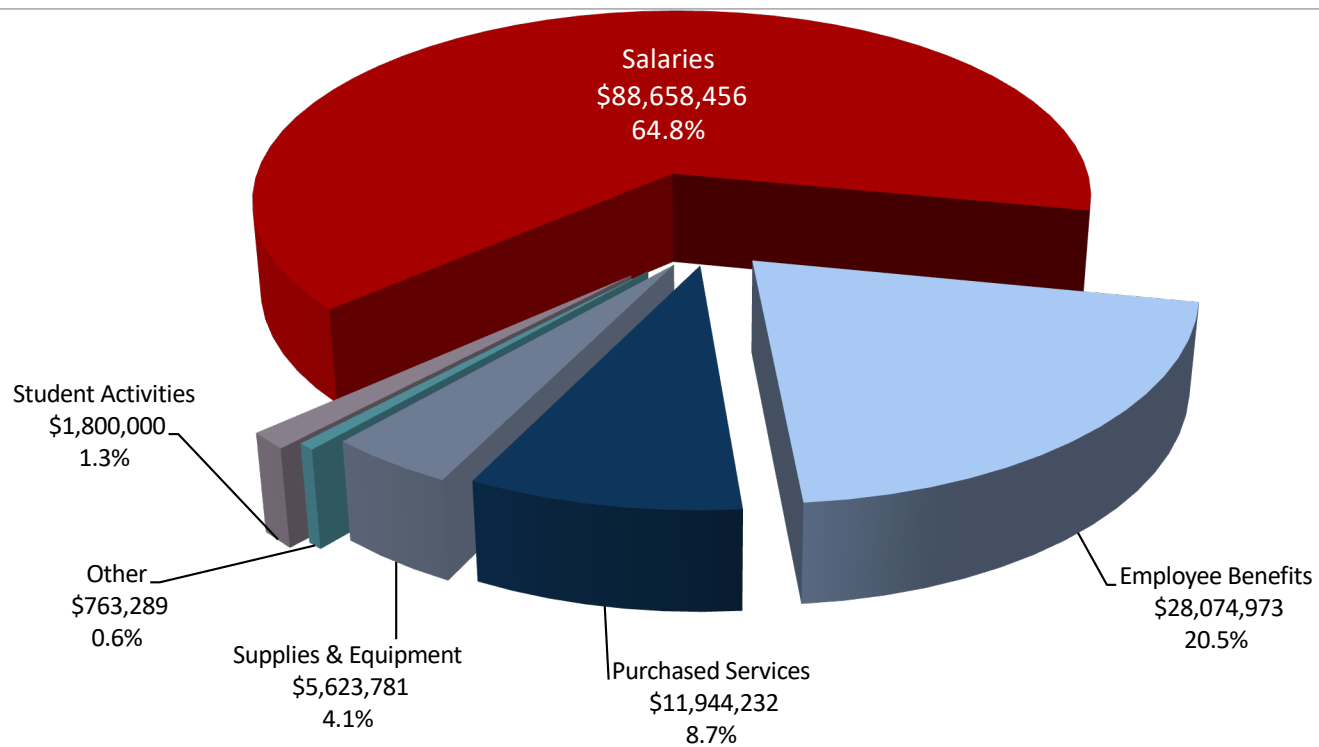
General Fund Revenues

FY 24 Budget - \$137,703,658



General Fund Expenditures

FY 24 Budget - \$136,864,731



Payable 2024 Property Tax Levy

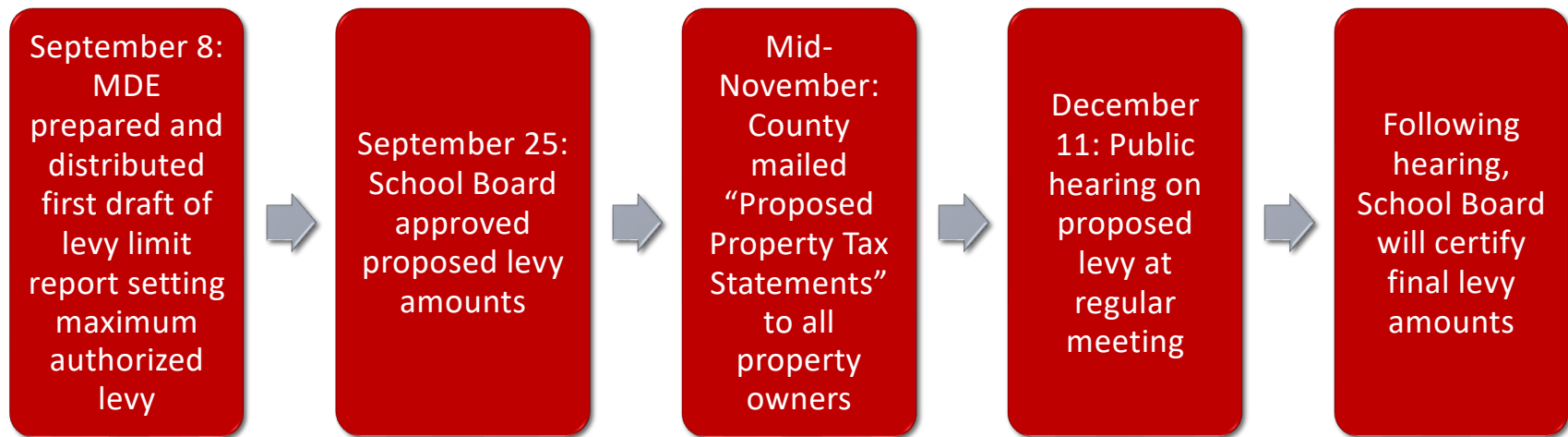
Determination of levy

Comparison of 2023 to 2024 levies

Specific reasons for changes in tax
levy

Impact on taxpayers

Schedule of Events of District's 2023 (Payable 2024) Tax Levy



Just a Note...

- The operating referendum of 2022 impacts tax statements issued for calendar year 2024
- 2024 will mark the 2nd 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 1/01/2023 Assessments (Pay 2024), study period is October 2021-September 2022
- 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 2023

Hennepin County
Property Value
Increase in 2023

+6.4%

- Industrial +21.0%
- Residential +3.3%
- Townhouses +2.6%
- Apartments +7.9%
- Commercial +4.2%



Classified Property Tax System:

Properties are Assigned Class Rates

Property Tax Class	Tax Rate Pay 2024
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 + 5.60%

Hennepin County + 6.50%

School District + 6.09%



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 23	Pay 24	\$ Change	% Change
General	\$47,651,257	\$49,660,251	+ \$2,008,994	+ 4.22%
Community Education	1,261,482	1,302,511	+ 41,029	+ 3.25
Debt Service	7,995,522	9,412,377	+ 1,416,855	+ 17.72
Total	\$56,908,261	\$60,375,139	+ \$ 3,466,878	+ 6.09%

Note: Includes an under levy of \$992,762.23



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Explanation of Levy Changes

General Fund	
Category:	Operating Referendum & Local Optional Revenue
Change:	+ \$798,066
Use of Funds:	General operating expenses
Reasons for Increase:	
Voter Approved:	
	Inflation adjusted (CPI) – increase of 2.57%, 3-year increase of 11.87%



Explanation of Levy Changes

General Fund	
Category:	Re-Employment Insurance
Change:	- \$409,203
Use of Funds:	To pay for former employees that file for unemployment
Reasons for decrease:	
	The levy is an estimated amount, the actual expenditures for FY22 were \$226,000 less, resulting in a large decrease. We also adjusted our estimated expenses for FY25 down.



Explanation of Levy Changes

General Fund	
Category:	Facilities & Capital Bond Adjustment
Change:	- \$460,425
Use of Funds:	To pay for LED lighting upgrades
Reasons for decrease:	
	This is year 1 of 10 in receiving a general fund reduction to our operating capital funds in order to pay for the LED lighting upgrades. The offset is an increase to our debt service fund.



Explanation of Levy Changes

General Fund	
Category:	Long-Term Facility Maintenance (LTFM)
Change:	+ \$353,071
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:	
	FY23 positive adjustment to cover additional health and safety expenses
	Consideration for district-wide debt financing plan



Explanation of Levy Changes

General Fund	
Category:	Capital Project Levy (Technology Levy)
Change:	+ \$1,303,961
Use of Funds:	Technology expenses (Examples include; Infrastructure, hardware (student and staff devices), software (instructional technology))
Reasons for increase:	
Voter Approved:	
	The capital project levy is based on anticipated net tax capacity (ANTC), which is a factor based on the value of property.



Explanation of Levy Changes

Debt Service Fund	
Category:	Debt Service
Change:	+ \$623,438
Use of Funds:	To make principal and interest payments on debt
Reasons for increase:	
School Board Approved:	
	Planned increase in the principal and interest payments on the old alternative facilities bonds and the new long-term facilities maintenance bonds.



Proposed Levy Reductions

Taxpayer Savings

- General Fund
 - Defer property tax abatements of \$791,758
- Debt Service Fund
 - Permanently reduce property tax abatements of \$201,004



Overview of Levy Changes

Fund	Pay 23	Pay 24	\$ Change	% Change
Voter Approved	\$ 31,731,528	\$ 33,662,029	+ \$1,930,502	+ 6.08%
School Board Approved	<u>25,176,733</u>	<u>26,713,110</u>	+ <u>1,536,377</u>	+ <u>6.10%</u>
Total	\$ 56,908,261	\$ 60,375,139	+ \$3,466,878	+ 6.09%

Note: School Board Approved Includes an under levy of \$992,762.23



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Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and an 24.3% 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
- Examples are for property in the City of Eden Prairie
- Estimates prepared by Ehlers (District's municipal financial advisors)



Estimated Changes in School Property Taxes, 2021 to 2024

Based on No Changes in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Estimated Market Value for 2024 Taxes	Estimated Taxes Payable in 2024	Change in Taxes 2021 to 2024	Change in Taxes 2023 to 2024
Residential Homestead	\$250,000	\$1,014	\$1,006	\$994	\$250,000	\$982	-\$32	-\$12
	350,000	1,452	1,440	1,420	350,000	1,404	-48	-16
	450,000	1,883	1,867	1,840	450,000	1,820	-63	-20
	515,000	2,163	2,145	2,113	515,000	2,090	-73	-23
	540,000	2,281	2,262	2,227	540,000	2,203	-78	-24
	650,000	2,801	2,776	2,730	650,000	2,702	-99	-28
	850,000	3,746	3,711	3,644	850,000	3,608	-138	-36

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 2024 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 2021 to 2024.

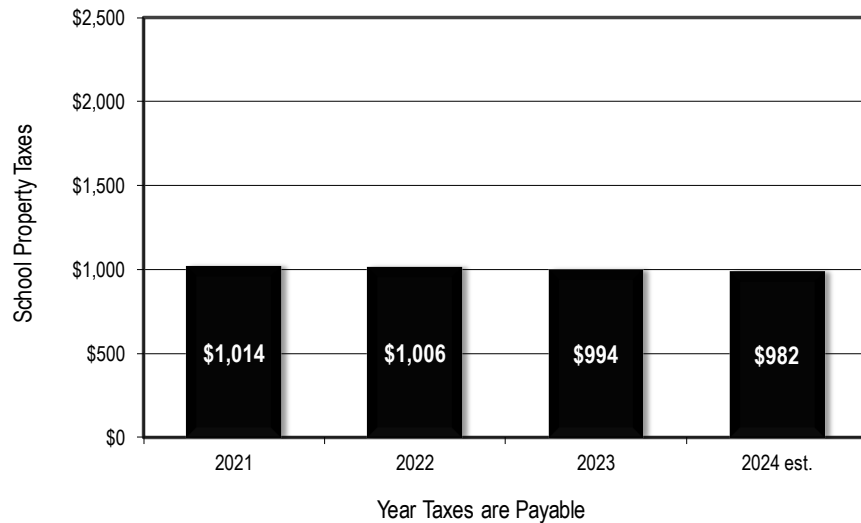


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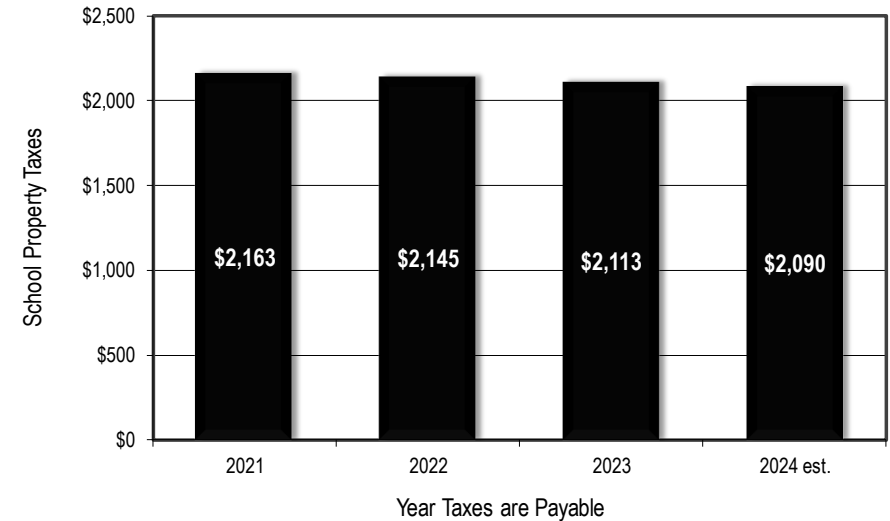
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value

Example 1: \$250,000 Residential Homestead Property



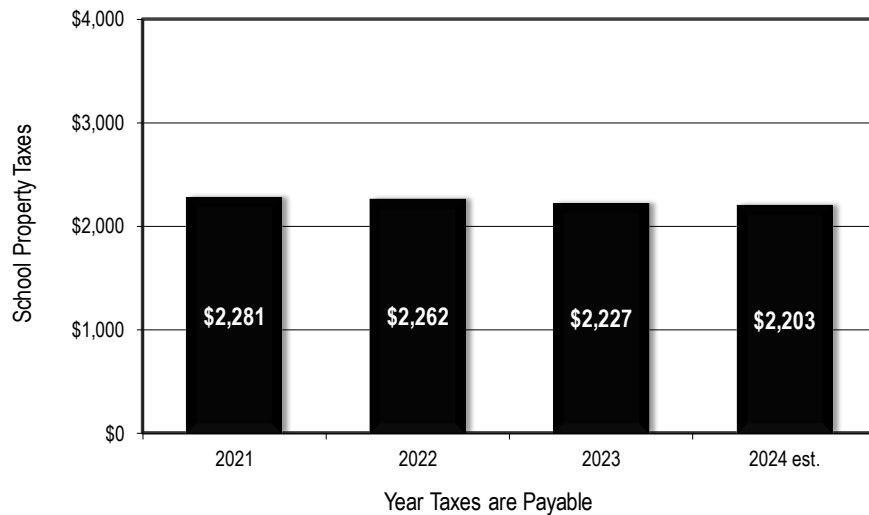
Example 2: \$515,000 Residential Homestead Property



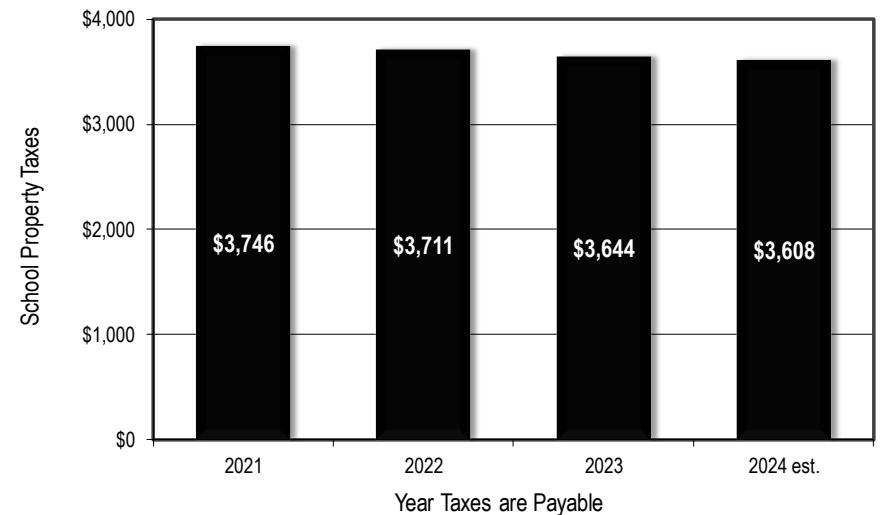
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value

Example 3: \$540,000 Residential Homestead Property

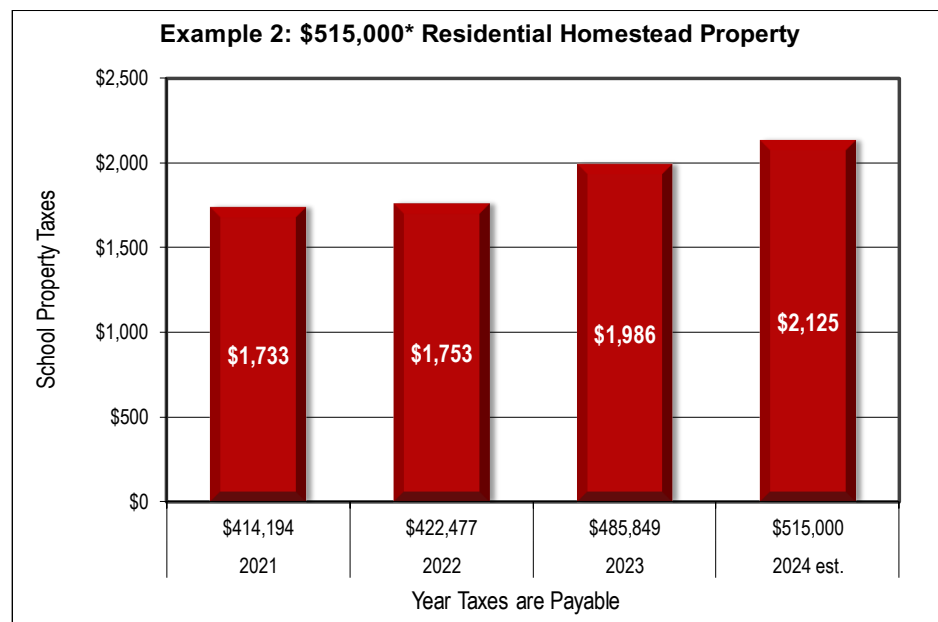
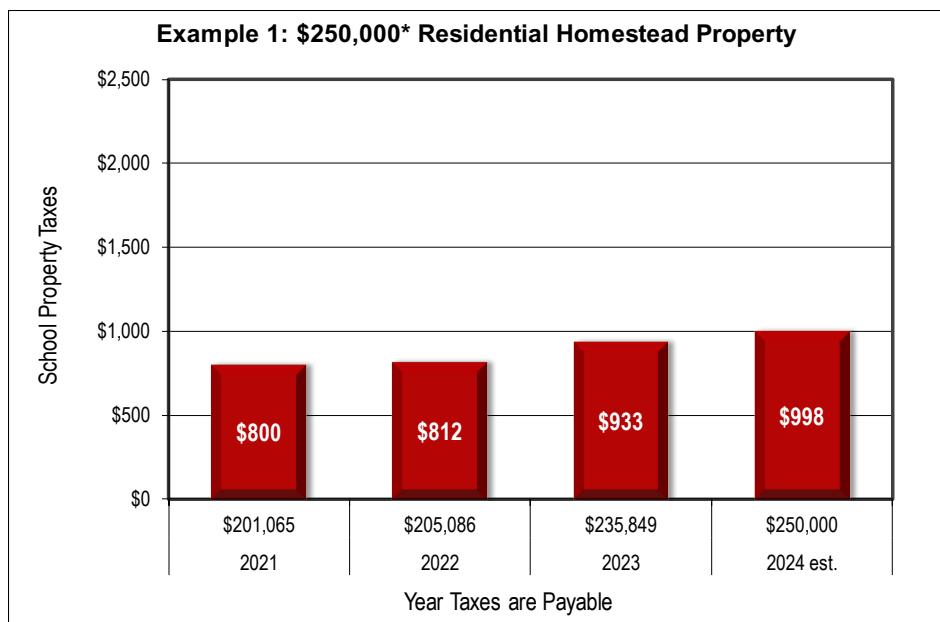


Example 4: \$850,000 Residential Homestead Property



Estimated Changes in School Property Taxes, 2021-24

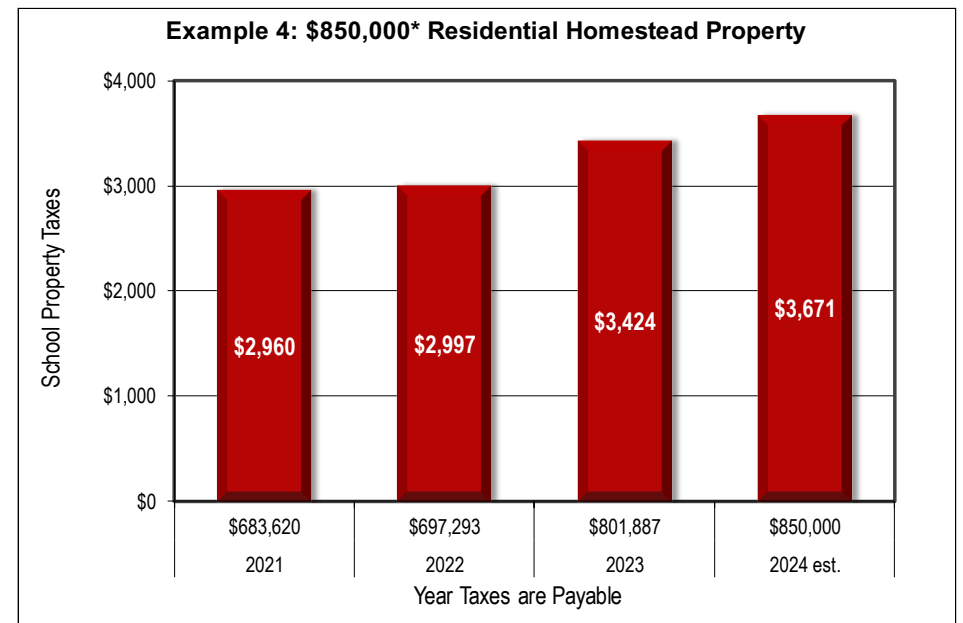
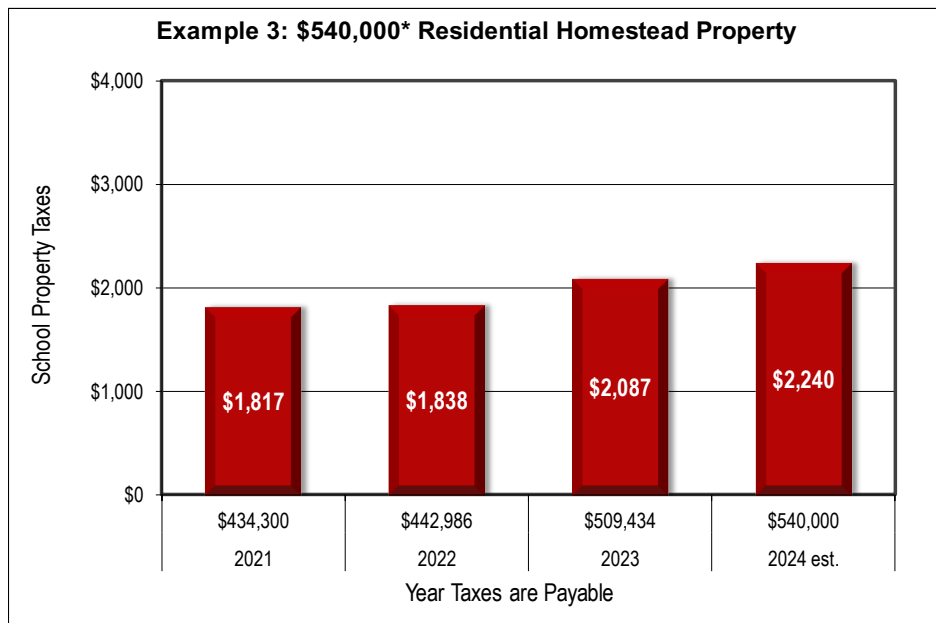
Based on 24.3% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 2.0% from 2021 to 2022, 15.0% from 2022 to 2023 and 6.0% from 2023 to 2024.

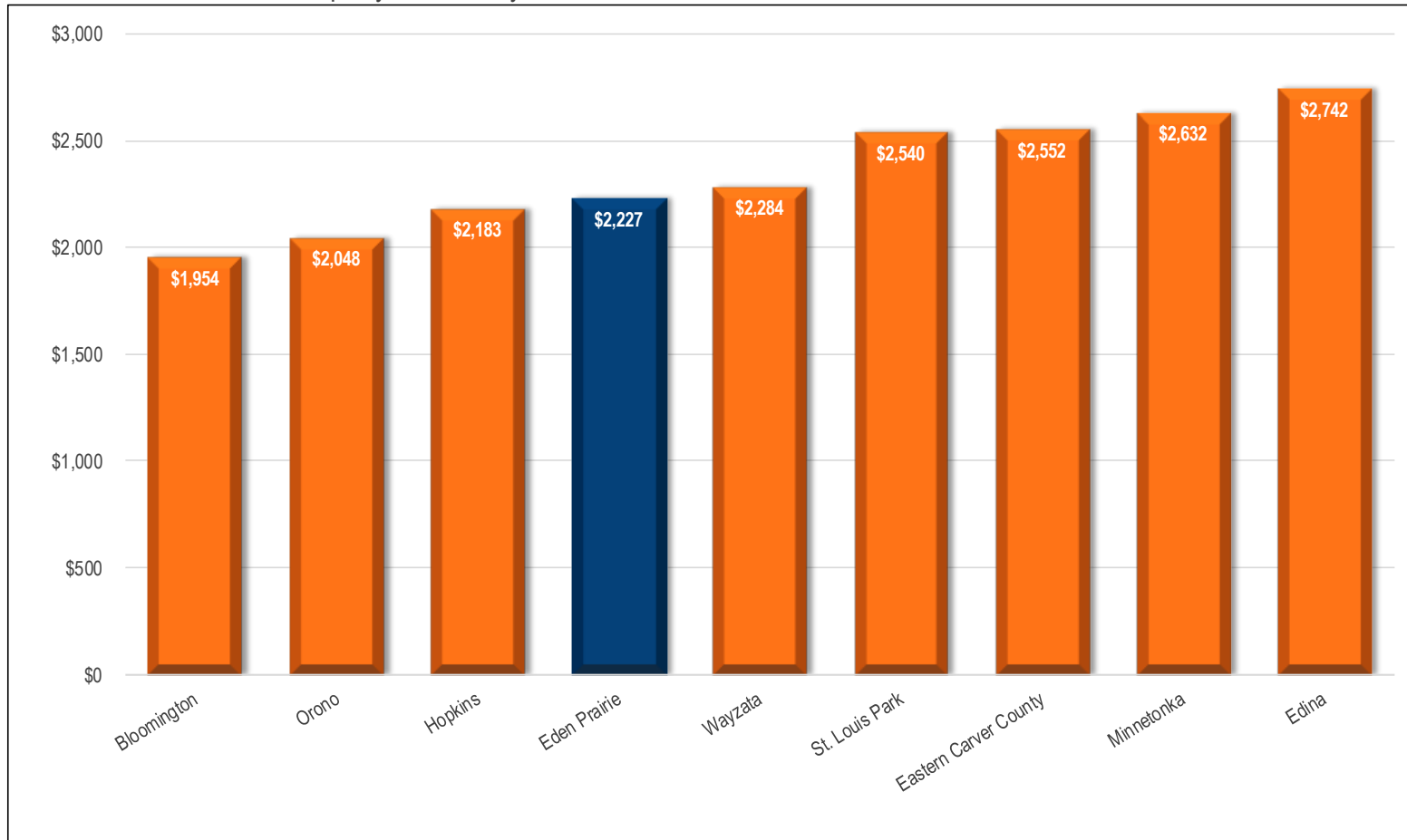
Estimated Changes in School Property Taxes, 2021-24

Based on 24.3% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 2.0% from 2021 to 2022, 15.0% from 2022 to 2023 and 6.0% from 2023 to 2024.

Total School Property Taxes, Payable 2023, on a Home with an Estimated Market Value of \$540,000



Source: Pay 23 School Tax Report

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 2024, the only option left is to appeal to Minnesota tax court (Open until April 2024)

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, 2023
 - Your household income for 2022 was less than \$128,280
- Special Refund
 - You owned and lived in the same home on January 2, 2022 & January 2, 2023
 - Your home's net property tax increased by more than 6% from 2022 to 2023
 - 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



State Property Tax Refunds & Deferral

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$96,000 or less to defer a portion of property taxes on their home
- You have owned and lived in your home for the last 5 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 2024 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