

To: Members of the Board of Education
Dr. Stacie Stanley, Superintendent

From: Mert Woodard, Director, Finance & Operations

Date: September 19, 2023

Subject: Recommendation of the Payable 2024 Preliminary Property Tax Levy Certification to Finance a Portion of the 2024-2025 School Year Operations

The District has received the Payable 2024 Preliminary Levy Limitation and Certification document 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 2024 levy must be certified by the Board of Education by September 30, 2023. Therefore, it is necessary that the District certifies a preliminary tax levy at the special meeting scheduled for Tuesday, September 19, 2023. 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 2023. 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 \$1.42 billion from \$11.13 billion to approximately \$12.53 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 14.05%. 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 2024 levy and to provide clarity to the Board of Education and to the community.

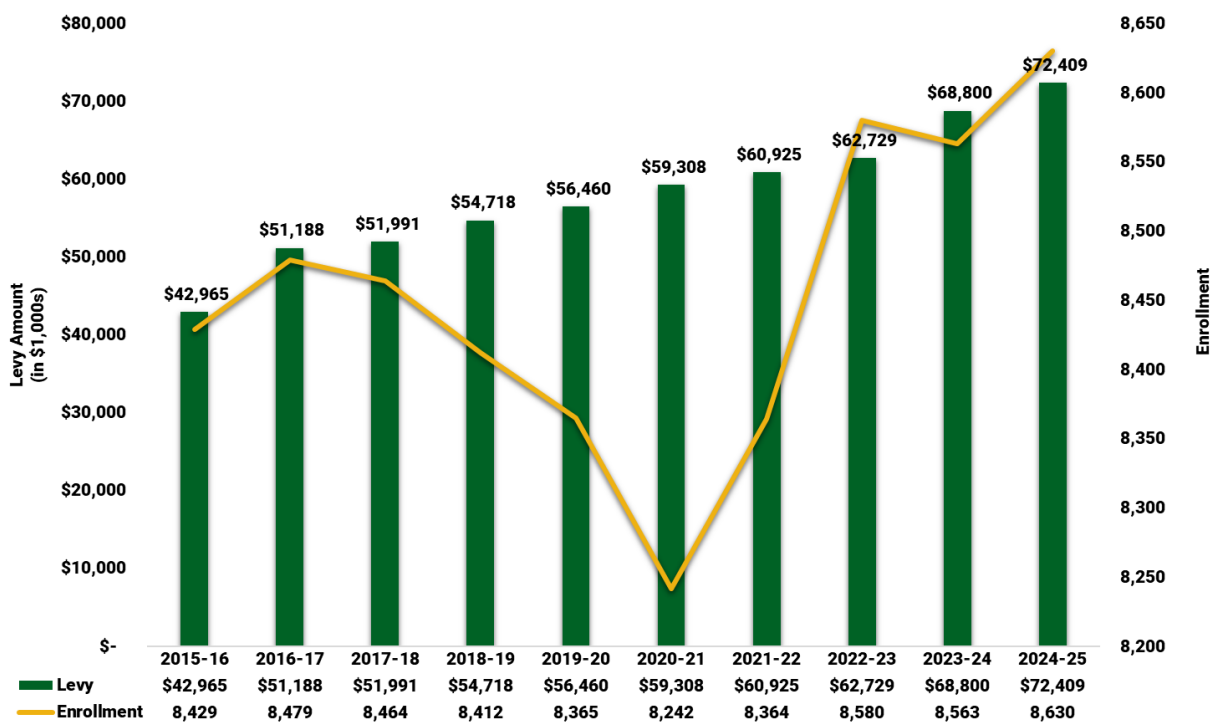
PROPOSED PROPERTY TAX LEVY

The District’s total preliminary levy for taxes payable in 2024 is \$72.41 million. This levy amount represents an overall increase of just over \$3.61 million or 5.25% from the previous year.

The following table shows a comparison of the preliminary levy payable in 2024 with the District’s certified levy payable in 2023. While the levy detail is presented by fund, it is important to focus on the District’s total payable 2024 levy when comparing to the total payable 2023 levy:

Fund	2024 Proposed Levy	2023 Certified Levy	Change (\$)	Change (%)
General	\$56,333,419	\$53,290,711	\$3,042,708	5.71%
Community Service	1,398,027	1,232,059	165,968	13.47%
Debt Service	14,677,525	14,277,476	400,049	2.80%
Total Levy	\$72,408,970	\$68,800,246	\$3,608,725	5.25%

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, debt service payments, 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 last five years, the District’s total levy has seen an average yearly increase of 5.13%. The District’s robust market value growth, 5.76% 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 increased by 5.71% or \$3.04 million.

The District's projected student enrollment for the 2023-24 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 2024 is \$2,197 compared \$2,105 the prior year, which represents one of the most significant change to the District's overall levy. It is important to note that the District's levy amounts also include adjustments for changes in final 2022-23 enrollment, estimated 2023-24 enrollment and projected 2024-25 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, technology access and support, and other capital expenditures allowed by state statute. The payable 2024 capital projects levy is \$8.48 million, \$1.04 million more than the prior year. The capital projects levy is directly correlated to the net tax capacity of the District and is not tied to student enrollment. As the District's net tax capacity grows, the capital projects levy will grow by the 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 2024 levy the District will levy \$11.97 million, an increase of \$1.03 million from the prior year. The additional revenue will finance projects throughout the District and can be carried over from year to year until projects are completed.

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 is eligible to be financed by lease levy authority. The principal and interest payments for fiscal year 2024 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 \$2.26 million, up from \$2.22 million in 2023.

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, an increase of \$100,000 from the prior year. The increase to the school age care levy combined with prior year adjustments and other minor increases results in an total increase to the Community Service Fund levy of \$165,968 or 13.47%.

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 significant portion of the District's debt service levy relates to voter-approved bonds, primarily the Series 2015A School Building Bonds which were used to finance facility remodels and upgrades throughout the District.

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.

Overall, the District's debt service levy for taxes payable in 2024 will increase by 2.80% or \$400,049 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 2024 is estimated to rise by 4.32%, the estimated RMV increase of 12.77% and estimated NTC increase of 14.05% means that the majority of property owners will actually see 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 can be found on Exhibit II.

SUMMARY AND TRUTH IN TAXATION LAW

The Payable 2024 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 2023.

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 11, 2023, at the Edina Community Center. If you or members of the public have questions regarding the enclosed materials or desire additional information, please contact me at 952-848-4916 or mert.woodard@edinaschools.org.

Property Tax Levy Comparison

TAXES PAYABLE IN 2024 VS 2023 EXHIBIT I

Fund	Levy Component	Payable 2023 for FY2024	Payable 2024 for FY2025	Change (\$)	Change (%)
General Fund	* 1st Tier RMV Referendum	\$ 4,305,324	4,346,724	\$ 41,400	0.96%
	* 2nd Tier RMV Referendum	8,945,247	10,018,726	1,073,480	12.00%
	* Unequalized RMV Referendum	6,457,050	6,399,512	(57,538)	(0.89%)
	1st Tier Local Optional	2,803,348	2,830,348	27,000	0.96%
	2nd Tier Local Optional	3,968,386	4,006,546	38,160	0.96%
	Equity Levy	648,840	472,470	(176,370)	(27.18%)
	* Capital Projects Referendum	7,431,835	8,476,346	1,044,511	14.05%
	OPEB PAYGO	613,276	1,400,891	787,615	128.43%
	Operating Capital	1,396,397	1,582,999	186,602	13.36%
	Alt. Teacher Comp (Q Comp)	802,462	781,702	(20,760)	(2.59%)
	Achievement & Integration	391,167	420,405	29,238	7.47%
	Reemployment	7,500	160,000	152,500	2,033.33%
	Career & Technical Education	112,320	244,652	132,332	117.82%
	Safe Schools	336,938	340,178	3,240	0.96%
	Safe Schools Intermediate 287	140,391	141,741	1,350	0.96%
	Building Lease Levy	2,218,571	2,264,143	45,572	2.05%
	Long-Term Facilities Maintenance	10,946,893	11,974,427	1,027,535	9.39%
	Adjustments - RMV	1,490,464	582,394	(908,071)	(60.93%)
	Adjustments - NTC	(3,775)	(384,927)	(381,152)	10,095.61%
	Adjustments - Abatement	278,078	274,143	(3,935)	(1.42%)
	Total General Fund Levy	\$ 53,290,711	\$ 56,333,419	\$ 3,042,708	5.71%
Community Service Fund	Basic Community Education	\$ 309,579	\$ 349,681	\$ 40,103	12.95%
	Early Childhood Family Education	342,999	315,447	(27,552)	(8.03%)
	Home Visiting	8,361	9,677	1,316	15.74%
	Adults with Disabilities	5,202	9,451	4,249	81.67%
	School-Age Care	560,000	660,000	100,000	17.86%
	Abatement Adjustments	5,771	4,888	(883)	(15.29%)
	Other Adjustments	149	48,883	48,735	32,811.45%
		Total Community Service Fund Levy	\$ 1,232,060	\$ 1,398,027	\$ 165,967
Debt Service Fund	* Debt Service - Voter Approved	\$ 12,768,998	\$ 7,001,610	\$ (5,767,388)	(45.17%)
	Long-Term Facilities Maintenance Debt Service	2,348,654	8,308,139	5,959,485	253.74%
	Debt Excess	(929,733)	(726,921)	202,812	(21.81%)
	Abatement Adjustments	89,557	94,697	5,140	5.74%
	Total Debt Service Fund Levy	\$ 14,277,476	\$ 14,677,525	\$ 400,049	2.80%
	Total Property Tax Levy	\$ 68,800,246	\$ 72,408,970	\$ 3,608,725	5.25%

Notes:

- 1) Levy components preceded by "*" are voter-approved.
- 2) Values within the "Payable 2023 for FY2024" column are representative of the certified levy for taxes payable in 2023 plus county auditor adjustments.

Edina Public School District No. 273

Property Tax Levy and Rate Summary, Taxes Payable in 2023 and 2024 (Exhibit II)

September 19, 2023

		Actual Taxes Payable in 2022	Preliminary Estimate of Taxes Payable in 2023	Estimated Change in Annual Taxes	Estimated % Change
Type of Property	Estimated Market Value	Estimated Annual School District Property Taxes			
Residential Homestead	\$300,000	\$1,479	\$1,459	-\$20	-1.4%
	400,000	2,007	1,982	-25	-1.2%
	500,000	2,513	2,481	-32	-1.3%
	600,000	3,086	3,050	-36	-1.2%
	700,000	3,659	3,618	-41	-1.1%
	800,000	4,231	4,186	-45	-1.1%
	900,000	4,804	4,755	-49	-1.0%
	1,000,000	5,377	5,323	-54	-1.0%
	1,500,000	8,241	8,164	-77	-0.9%
	2,000,000	11,497	11,005	-100	-0.9%
Commercial/Industrial *	\$1,000,000	\$5,821	\$5,778	-\$43	-0.7%
	2,000,000	11,782	11,699	-83	-0.7%
	3,000,000	17,743	17,621	-122	-0.7%
	4,000,000	23,705	23,542	-163	-0.7%
	5,000,000	29,666	29,464	-202	-0.7%
Apartments	\$1,000,000	\$5,728	\$5,683	-\$45	-0.8%
	2,000,000	11,456	11,365	-91	-0.8%
	4,000,000	17,184	17,048	-136	-0.8%
	2,500,000	28,640	28,413	-227	-0.8%

Key Assumptions:

1. Preliminary Pay 24 RMV and NTC values are assumed to grow by 6.5% as compared to taxes payable in 2023.
 2. Assumes no change in the value of individual parcels of property from 2023 to 2024 taxes. If the value of a parcel increased, the change in taxes will be larger than shown above.
 3. Taxes payable in 2023 are based on latest estimates of the District's proposed levy, as of September 14, 2023.
- * For commercial-industrial property, the estimates above are for property in the City of Edina. The tax impact for commercial industrial property in other municipalities in the school district may be slightly different due to the varying impact of the Twin Cities Fiscal Disparity program.

