

MINNETONKA INDEPENDENT SCHOOL DISTRICT #276
District Service Center
5621 County Road 101
Minnetonka, Minnesota

Minutes of September 23, 2022 Special School Board Meeting

The School Board of Minnetonka Independent School District #276 met in special session at 7:30 a.m. on Friday, September 23, 2022 in the Community Room at the District Service Center, 5621 County Road 101, Minnetonka, Minnesota. Chairperson Chris Vitale presided. Other Board members present were: Mark Ambrosen, Katie Becker, Patrick Lee-O'Halloran, Meghan Selinger and Superintendent David Law, ex officio. Absent: John Odom and Lisa Wagner.

Chairperson Vitale called the special meeting to order and asked that everyone stand and recite the Pledge of Allegiance to the Flag.

1. AGENDA

Ambrosen moved, Becker seconded, that the School Board approve the agenda as presented. Upon vote being taken thereon, the motion carried unanimously.

2. CERTIFICATION OF 2022 PAY 2023 PRELIMINARY LEVY

Executive Director of Finance and Operations Paul Bourgeois presented this item to the Board. He explained that Minnesota Statutes require that each school district certify a preliminary property tax levy by September 30 of the calendar year. The property tax levy set at the preliminary is the maximum amount that the school district can levy when it certifies its final levy in December of the calendar year. Adjustments to the preliminary levy amount can only be made downward after the preliminary levy is certified. School Districts must work with the Minnesota Department of Education (MDE) to calculate the levies allowed under the various statutes utilizing the MDE computerized levy system. The Certified Preliminary Levy must be physically received by the home county auditor no later than September 30, 2022.

The total levy is made up of several dozen individual levy amounts that are calculated based on formulas set in Minnesota Statute by the Legislature. Many of the levies are levies that provide partial revenue for a particular program with the remaining amount coming as a match from the State of Minnesota, and it is a requirement for the full local share to be levied in order to receive the State contribution. A reduction in those levies will result in a proportional reduction in State aid. Other levies including the Operating Referendum and Technology Levies are voter approved and determined based on the number of enrolled pupils or the value of property in the District. Finally, debt service levies are required to be calculated at 105% of debt service in order to ensure that District bond payments are met even if there are some property tax delinquencies.

The dollar amount of the Certified Preliminary Levy approved by the School Board prior to September 30 of each year becomes the highest amount of the levy - the final levy approved in December can be no greater than the preliminary amount certified by September 30 or the maximum computed by the Minnesota Department of Education for any changes they may make subsequent to School Board adoption. The only exception to this rule is if an Operating Referendum or Capital Projects Referendum is approved by the voters of the School District at the November election.

Highlights of Mr. Bourgeois' presentation included the following:

Nine Major Levy Categories

- Operating Referendum Revenue
- Local Optional Revenue
- Technology Referendum Revenue
- Equity Levy
- Q-Comp Levy
- Operating Capital Levy
- Instructional Facilities Lease Levy
- Debt Service Levy
- OPEB Bond Debt Service Levy

- These levies make up 92% of the total preliminary 2022 Pay 2023 levy – usually closer to 95%-96% but larger than usual Operating Referendum prior year adjustment drops the percentage this year

Operating Referendum Revenue

- 22 Pay 23 Levy Portion at \$25,874,581.48
- 21 Pay 22 Levy Portion at \$22,917,434.90
- Increase of \$2,957,146.58
 - \$2,110.97 per Adjusted Pupil Unit (at the State Cap per pupil)
 - \$1,881.81 per Adjusted Pupil Unit on 21 Pay 22 was set in September 2021 – inflation was rising but really accelerated after that
 - 12.18% inflation factor over prior year levy – two years worth of inflation adjustment - \$229.16 per APU - approved by voters with assumed enrollment in FY24 of 11,150 K-12 in-person plus TOC

Local Optional Revenue

- 22 Pay 23 at \$8,721,859.44
- 21 Pay 22 at \$8,658,282.38
- Increase of \$63,577.06
 - \$724 per Adjusted Pupil Unit
 - Total amount of \$8,823,198.56 is offset by State Aid of \$101,339.12

Technology Referendum Revenue

- 22 Pay 23 \$7,609,741.86
- 21 Pay 22 \$7,275,914.76
- Increase of \$333,827.10
 - Voter approved levy
 - Rate is 6.569% of Net Tax Capacity of the district which is based on property values of all property in the District which increased by 4.5% or \$439,953,148 for the 22 Pay 23 Levy
- 22 Pay 23 Value - \$10,265,559,107
- 21 Pay 22 Value - \$ 9,825,605,959

Equity Levy

- 22 Pay 23 \$845,900.01
- 21 Pay 22 \$842,593.05
- Increase of \$3,306.96
- Funded at \$69.01 per Adjusted Pupil Unit, down from \$69.19 on prior levy, but offset by increased pupil count
 - 4-layer formula
 - Tier One - \$1.21 per APU – Basic Revenue plus Referendum Revenue plus Transition Revenue divided by APU, compared to metro 95th percentile of those to get an “equity gap”, then divide that by a “regional equity gap” to get a percentage, and then use that percentage times \$80 to get Tier One revenue
 - Tier Two - \$14.00 per APU
 - Tier Three – \$3.80 per APU-Add up Tier One and Tier Two and multiply by 25%
 - Tier Four - \$50.00 Per APU
 - Because of higher local Operating Referendum, District is closer to 95th percentile for the Metro area resulting in a decrease of \$0.18 per APU

Q Comp Alternative Compensation Levy

- 22 Pay 23 \$1,050,092.75
- 21 Pay 22 \$1,034,187.51
- Increase of \$15,905.74
- Funded at \$260.00 per October 1, 2022 Estimated Enrollment
 - Only non-weighted headcount formula
- Levy is 35% of total revenue of \$2,933,743.80 plus \$21,282.42 in prorated State Aid shifted to the levy
- Levy changes as enrollment changes

Operating Capital Levy

- 22 Pay 23 \$1,236,844.58
- 21 Pay 22 \$1,177,566.26
- Increase of \$59,278.32
 - 42.03% of total revenue (21 Pay 22 was 42.03%, 20 Pay 21 was 38.37% and 19 Pay 20 was 36.28%)
 - State funds the rest with State Aid
- Total revenue is \$2,808,247.09 at \$229.11 per Adjusted Pupil Unit (down \$0.98 from prior year - \$12,012.06)
 - Two-tiered formula
 - \$79.00 per APU
 - \$109.00 times 1.3772 - Factor of 1.0 plus (average building age of 37.72 years old times .01 – average age dropped from 38.56 due to SAIL Building and MOMENTUM addition)

Instructional Facilities Lease Levy

- 22 Pay 23 \$2,554,553.27
- 21 Pay 22 \$2,464,671.12
- Increase of \$91,882.43
- Payments for COP Bonds on instructional building additions
- Payment fluctuates slightly based on debt payment schedules for those additions
- \$212 per APU – District Cap is \$2,598,526.40
- Lease Levy pays for All Day K classrooms, elementary classrooms and music rooms, middle school classrooms, high school classrooms and music rooms, Clear Springs, Groveland and Scenic Heights gymnasiums, VANTAGE West building (former TSP), and MOMENTUM addition

Debt Service Levy – General Obligation Bonds

- 22 Pay 23 \$8,196,848.52
- 21 Pay 22 \$7,900,265.12
- Increase of \$325,675.62
- Based on FY24 scheduled bond payments plus additional State-mandated 5%
 - Additional 5% ensures sufficient cash to make bond payments even if there are some property tax delinquencies
- Debt Service Levy pays for long term facility maintenance bonds and 1996 Building Referendum bonds that mature in 2026
- 22 Pay 23 is offset by a reduction of (\$175,384.99) by utilization of Debt Service Excess that has accumulated due to the 5% additional levy and District bond refundings
- 21 Pay 22 was offset by a reduction of (\$400,000.00) by utilization of Debt Service Excess that has accumulated due to the 5% additional levy and District bond refundings
- 20 Pay 21 was offset by a reduction of (\$1,170,813.10) by utilization of Debt Service Excess that had accumulated due to the 5% additional levy and District bond refundings

OPEB Debt Service Levy

- 22 Pay 23 \$1,376,616.01
- 21 Pay 22 \$1,549,533.00
- Decrease of (\$172,916.99)
 - 22 Pay 23 is offset by a reduction of (\$175,384.99) by utilization of Debt Service Excess that has accumulated due to the 5% additional levy and District bond refundings
 - District issued bonds to fund Other Post Employment Benefits Trust Fund to pay for retiree health insurance obligations committed to in District contracts prior to 2002
 - Interest rate was reduced from original FY08 rates of 6.83% and 6.24% down to 3.01% in FY13 and further down to 1.64% in FY21
 - Levy flattens out at approximately \$1.55 million annually

Other Levies

- State Of Minnesota has set up 11 additional levy categories for school district funding that apply to Minnetonka ISD 276
 - ☐ There are other levies, such as Sparsity Revenue, that do not apply to Minnetonka 276
 - ☐ Transition Levy \$ 18,998.66
 - ☐ Career & Technical Ed Levy \$341,049.31
 - ☐ Safe Schools Levy \$441,259.30
 - ☐ Ice Arena Levy \$447,440.02
 - ☐ Health & Safety Levy \$490,000.00
 - ☐ Reemployment Insurance Levy \$ 10,000.00
 - ☐ Community Ed General Levy \$303,139.85
 - ☐ Early Childhood Education Levy \$305,505.19
 - ☐ School Age Care Levy \$100,000.00
 - ☐ Adult Handicapped Levy \$ 7,500.00
 - ☐ Home Visiting Levy \$ 3,952.24

Total Other Levies

- 22 Pay 23 \$2,498,844.44
- 21 Pay 22 \$2,600,446.32
- Decrease of (\$101,601.88)

Levy Adjustments

- 22 Pay 23 \$2,537,911.07
- 21 Pay 22 \$ 84,756.35
- Increase of \$2,453,154.72

- Increase is due almost entirely to the Operating Referendum Adjustment for prior year inflation, which is \$2,446,544.40 higher than the prior year Operating Referendum Adjustment

Total Preliminary Levy Amount

- 22 Pay 23 Total Property Tax Levy \$62,503,793.43
- 21 Pay 22 Total Property Tax Levy \$56,474,856.27

- Increase of \$6,028,935.16 or 10.7%

- \$5,403,690.98 or 9.6% of the increase is generated by the Voter-approved inflation increases for the Operating Referendum Levy, including \$2,448,544.80 in prior year adjustments for higher inflation rates and \$2,957,146.58 for higher inflation rates for FY24
- \$624,244.18 or 1.1% of the increase is generated by all other levy categories

Selected Home Value Estimated Tax Impact Assuming No Change In Factors

Home Value	21 Pay 22 Estimated Taxes	Dollar Increase at 10.7%	21 Pay 22 Estimated Taxes	Percent Increase
\$300,000	\$1,617	\$173	\$1,790	10.7%
\$500,000	\$2,731	\$292	\$3,023	10.7%
\$700,000	\$3,931	\$421	\$4,352	10.7%
\$900,000	\$5,130	\$549	\$5,679	10.7%

- Factors that can impact the estimate
 - Reassessment of a property value to a higher amount could result in a higher increase
 - Additions or improvement to a property could result in a higher increase because of increased value
 - Increase of total property values in the District due to new construction could result in a lower increase
 - Total property value in the District increased from \$9,825,605,959 for 21 Pay 22 to \$10,265,559,107 for 22 Pay 23 – a total of \$439,952,148 or 4.5%
 - Properties that were not reassessed will likely see a lower increase than 11.5% because of a larger property tax base to spread the levy

Mr. Bourgeois closed his presentation by restating that as of today, the maximum dollar value of the 2022 Pay 2023 Preliminary Levy, as estimated and calculated in line with the statutory school funding formulas for school district revenues is estimated at \$62,503,793.43, which is an increase of \$6,028,935.16 or 10.7% from the 2021 Pay 2022 levy amount of \$56,474,858.27. A total of \$5,403,690.98 or 9.6% of the increase is generated by Voter-approved inflation adjustments for the Operating Referendum Levy. All other levies account for \$624,244.18 of the increase or 1.1%. It is important to note that the 2022 Pay 2023 levy will be spread on 4.5% more property value in the District as a result of new construction and reassessments compared to the property value for the 2021 Pay 2022 levy.

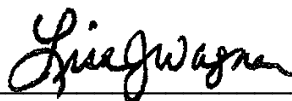
Becker moved, Selinger seconded, that the Board approve the following motion:

BE IT RESOLVED, that the School Board of Minnetonka Independent School District 276 does hereby certify the Preliminary 2022 Payable 2023 Property Tax Levy at the maximum amount authorized by statute, which as of September 23, 2022 totals \$62,503,793.43, and authorizes administration to file the Certified 2022 Pay 2023 Preliminary Levy with the Hennepin County Auditor no later than September 30, 2022.

Upon vote being taken thereon, the motion carried unanimously. Chairperson Vitale thanked Mr. Bourgeois and members of his staff for their hard work on the levy, year after year.

3. **ADJOURNMENT**

Becker moved, Lee-O'Halloran seconded, adjournment at 7:45 a.m. Upon vote being taken thereon, the motion carried unanimously.



Lisa Wagner, Clerk