

ISD 709 DULUTH  
THE NEXT 10 YEARS  
FINANCIAL PLANNING DISCUSSION

**PREPARED BY: MICHAEL HOHEISEL**

**MATT RANTAPAA**

**SAM HYLLE**

*Robert W. Baird & Co. Incorporated is providing this information to you for discussion purposes. The materials do not contemplate or relate to a future issuance of municipal securities. Baird is not recommending that you take any action, and this information is not intended to be regarded as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 or the rules thereunder.*

**Duluth**  
**Public Schools**



**AVERAGE DAILY MEMBERSHIP (ADM)**

<b>Grade</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
K (total) + EC	833.29	785.96	724.76	729.81	819.79	797.02	830.04	737.24	756.32
1	652.69	704.31	647.13	636.59	602.43	644.98	641.06	588.40	614.82
2	653.92	628.66	673.36	622.13	617.88	591.03	637.68	574.16	597.78
3	650.09	630.00	606.88	662.99	624.05	597.55	572.54	597.62	590.84
4	599.45	630.27	593.91	582.37	646.85	620.48	589.52	507.84	605.84
5	611.12	581.88	605.06	586.63	570.25	621.52	619.65	540.73	516.78
6	507.52	557.25	545.60	551.39	572.48	571.29	610.70	542.05	561.90
7	633.93	526.02	555.44	567.26	579.71	584.07	589.04	581.07	593.59
8	554.58	611.60	547.75	551.08	586.18	576.26	622.87	555.74	587.95
9	639.75	681.65	694.90	647.17	668.14	707.65	697.70	695.44	658.15
10	699.47	634.01	670.54	696.38	634.02	660.50	711.16	650.09	690.45
11	636.78	674.09	602.20	619.99	664.72	609.90	646.82	672.61	638.94
12	680.42	634.81	647.49	612.03	628.87	646.91	602.23	621.11	668.29
<b>Total ADM</b>	<b>8,353.01</b>	<b>8,280.51</b>	<b>8,115.02</b>	<b>8,065.82</b>	<b>8,215.37</b>	<b>8,229.16</b>	<b>8,371.01</b>	<b>7,864.10</b>	<b>8,081.65</b>
Elementary ADM 1-6	3,674.79	3,732.37	3,671.94	3,642.10	3,633.94	3,646.85	3,671.15	3,350.80	3,487.96
Secondary ADM 7-12	3,844.93	3,762.18	3,718.32	3,693.91	3,761.64	3,785.29	3,869.82	3,776.06	3,837.37
<b>Total Adjusted Pupil Units</b>	<b>9,122.00</b>	<b>9,032.95</b>	<b>8,858.68</b>	<b>8,804.60</b>	<b>8,967.70</b>	<b>8,986.22</b>	<b>9,144.97</b>	<b>8,619.31</b>	<b>8,849.12</b>

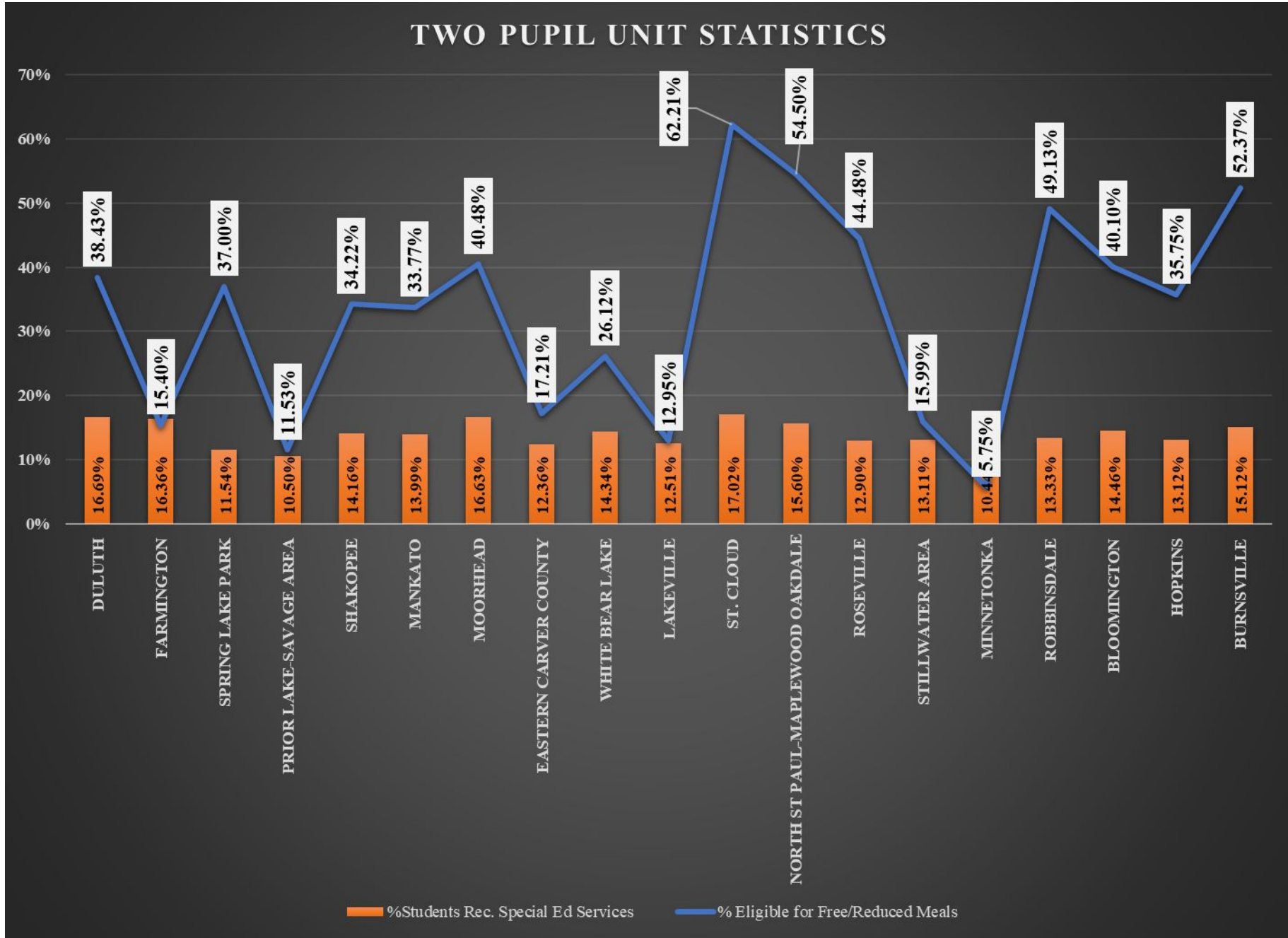
# HISTORICAL ENROLLMENT INFORMATION

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
<b>RESIDENT ADM</b>	10,436	10,432	10,340	10,401	10,540	10,494	10,540	9,991
<b>ENROLLMENT OPTIONS OUT TO ALL EDUCATION ENTITIES</b>	2,205	2,270	2,359	2,486	2,492	2,422	2,343	2,301
<b>CAPTURE RATE (% of RESIDENTS SERVED)</b>	78.87%	78.24%	77.19%	76.10%	76.36%	76.92%	77.77%	76.98%

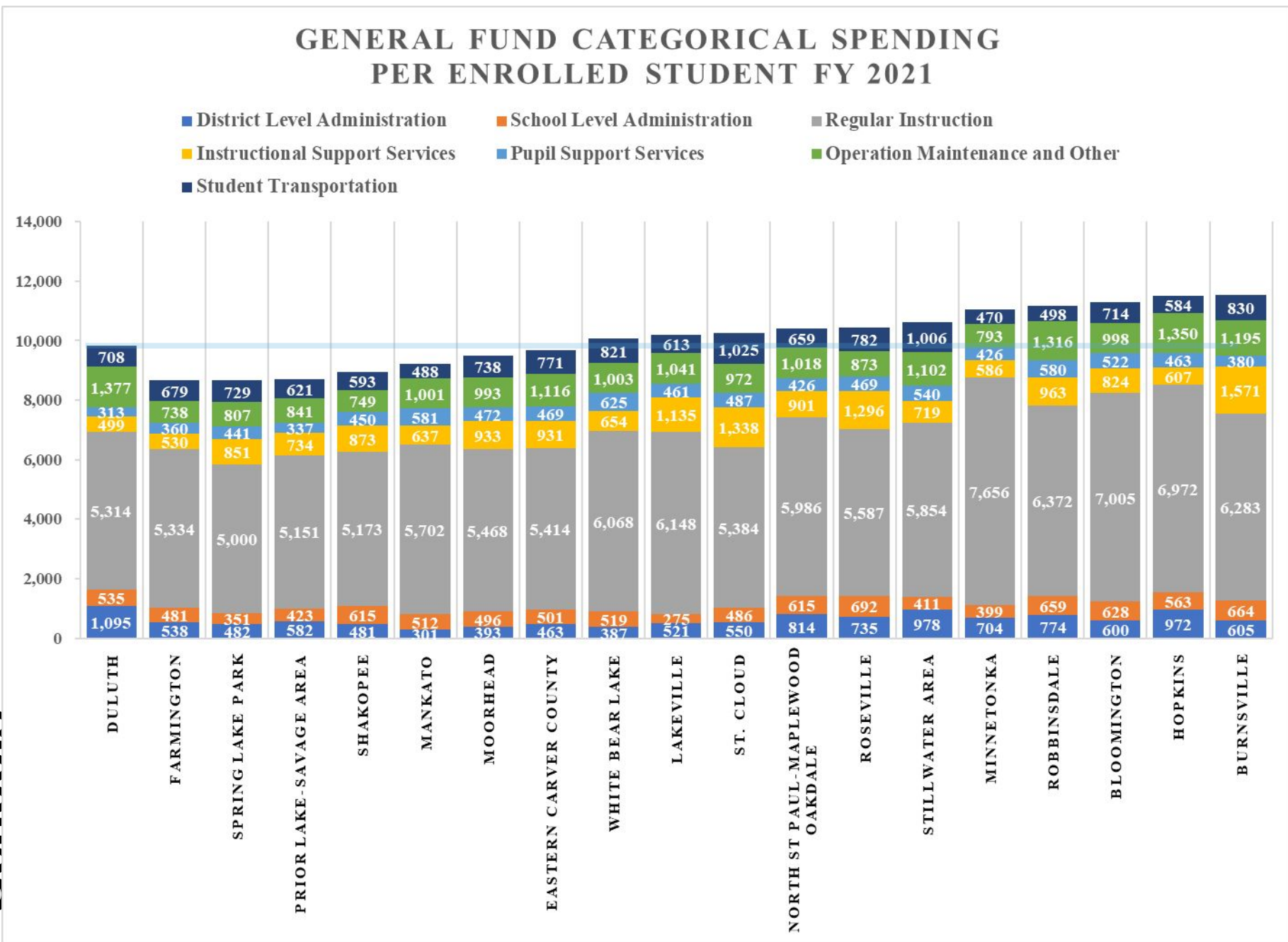
## WHAT IS THE DISTRICT'S HISTORICAL CAPTURE RATE?

- Capture rate focuses solely on the number of resident students the District is educating or paying tuition for to educate within their system

# MN School Districts with Similar Enrollment as Duluth Public Schools

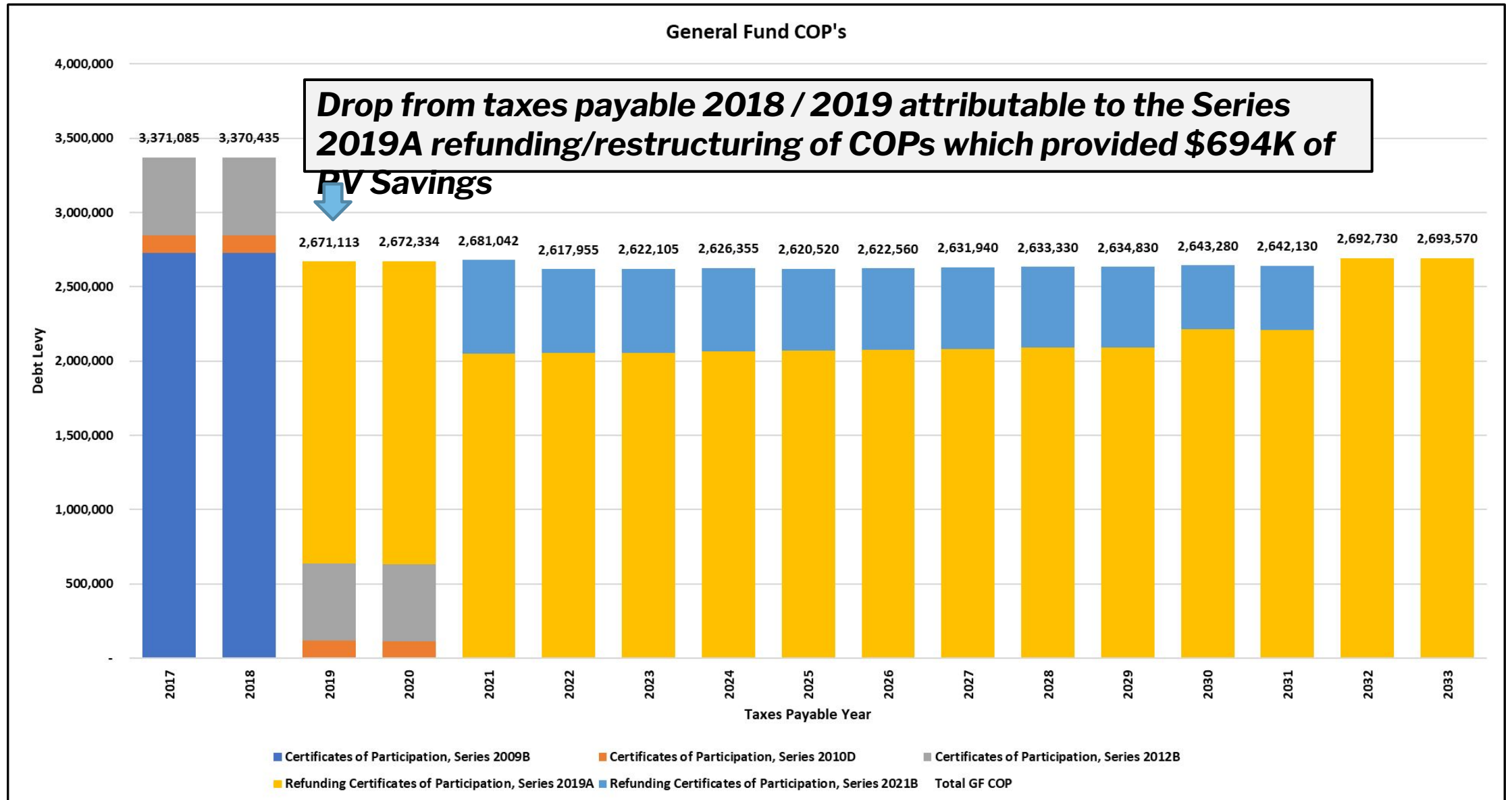


# MN School Districts with Similar Enrollment as Duluth Public Schools

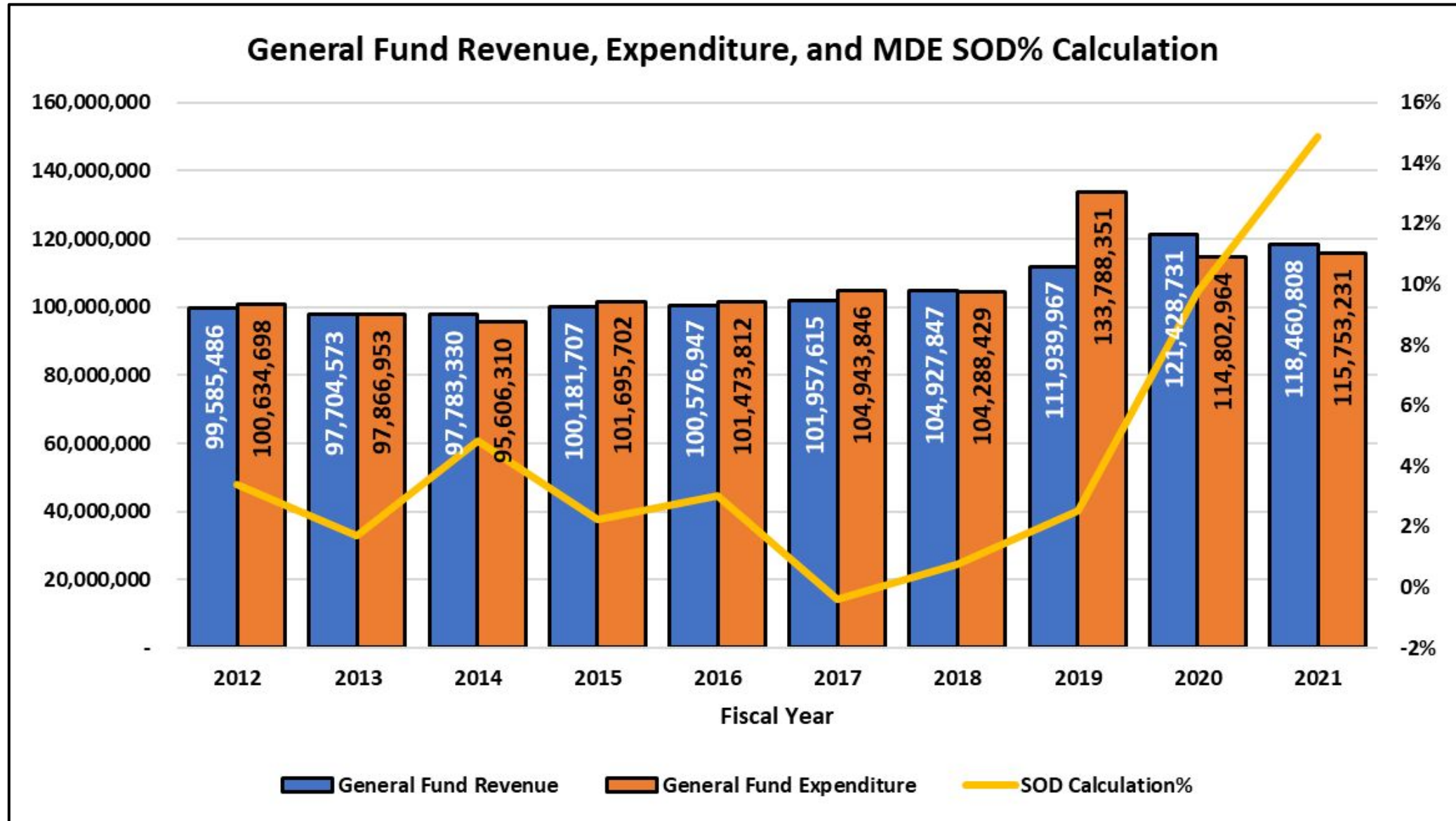


**Note – The Blue Line Indicates the general fund spending in 7 comparable categories per pupil in ISD 709. 7 out of the 19 districts are below Duluth**

# ISD 709 – HISTORY OF DEBT IMPACTING OPERATIONS

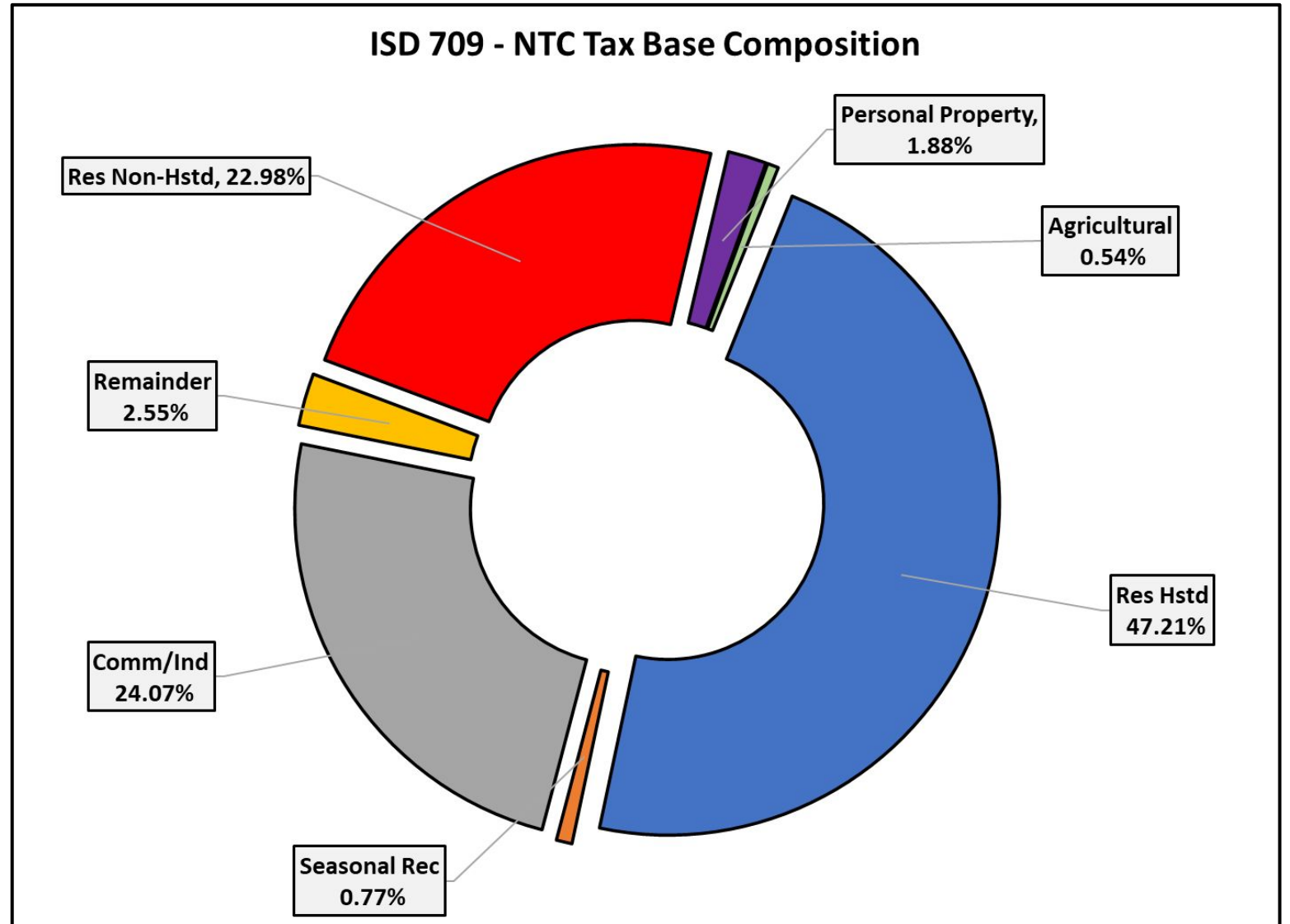


# REVENUE, EXPENDITURE, AND FUND BALANCE HISTORY



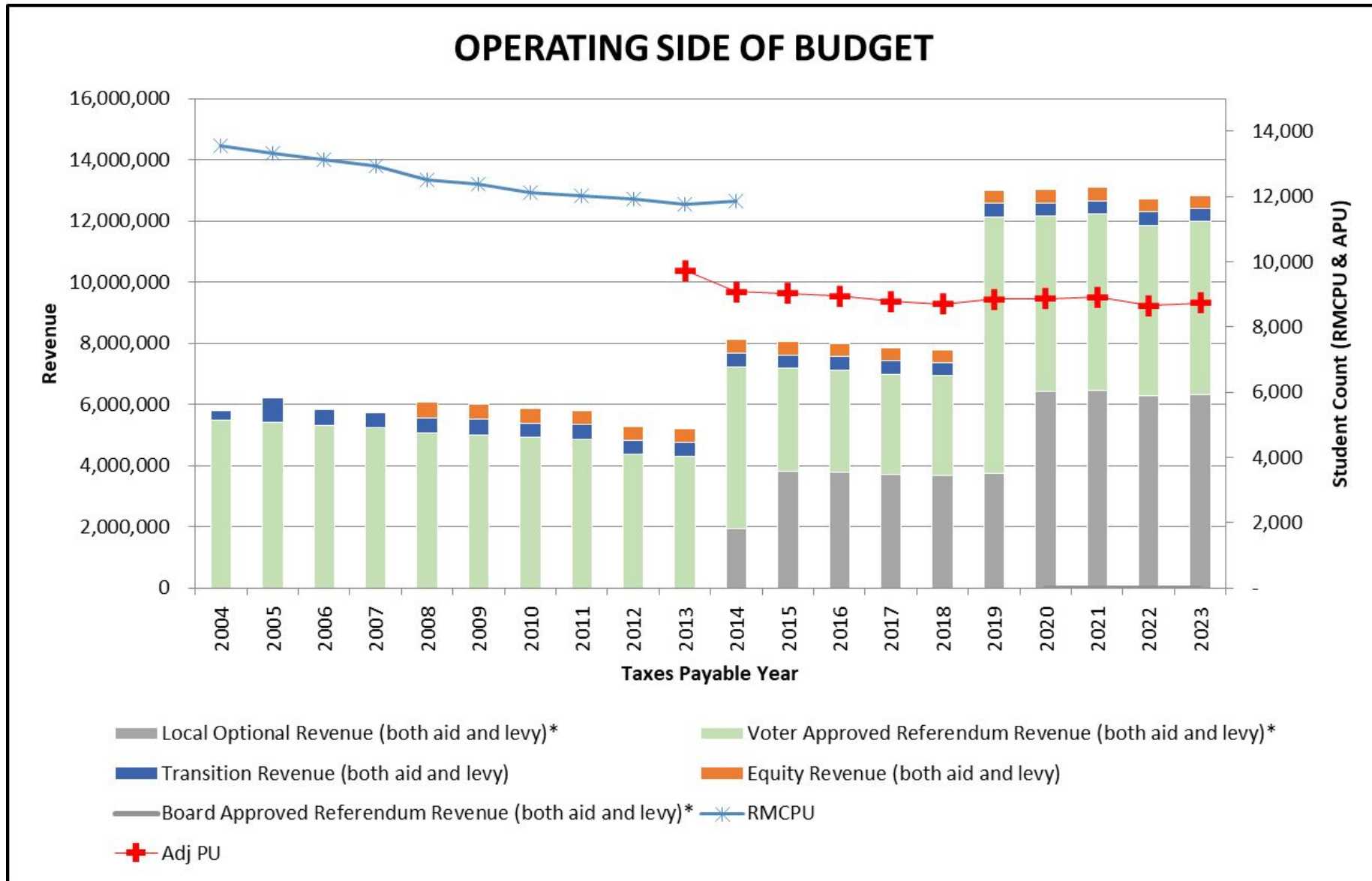
# ESTIMATED PAY 2023 TAX BASE COMPOSITION

*SOURCE: MN  
DOR PRISM*

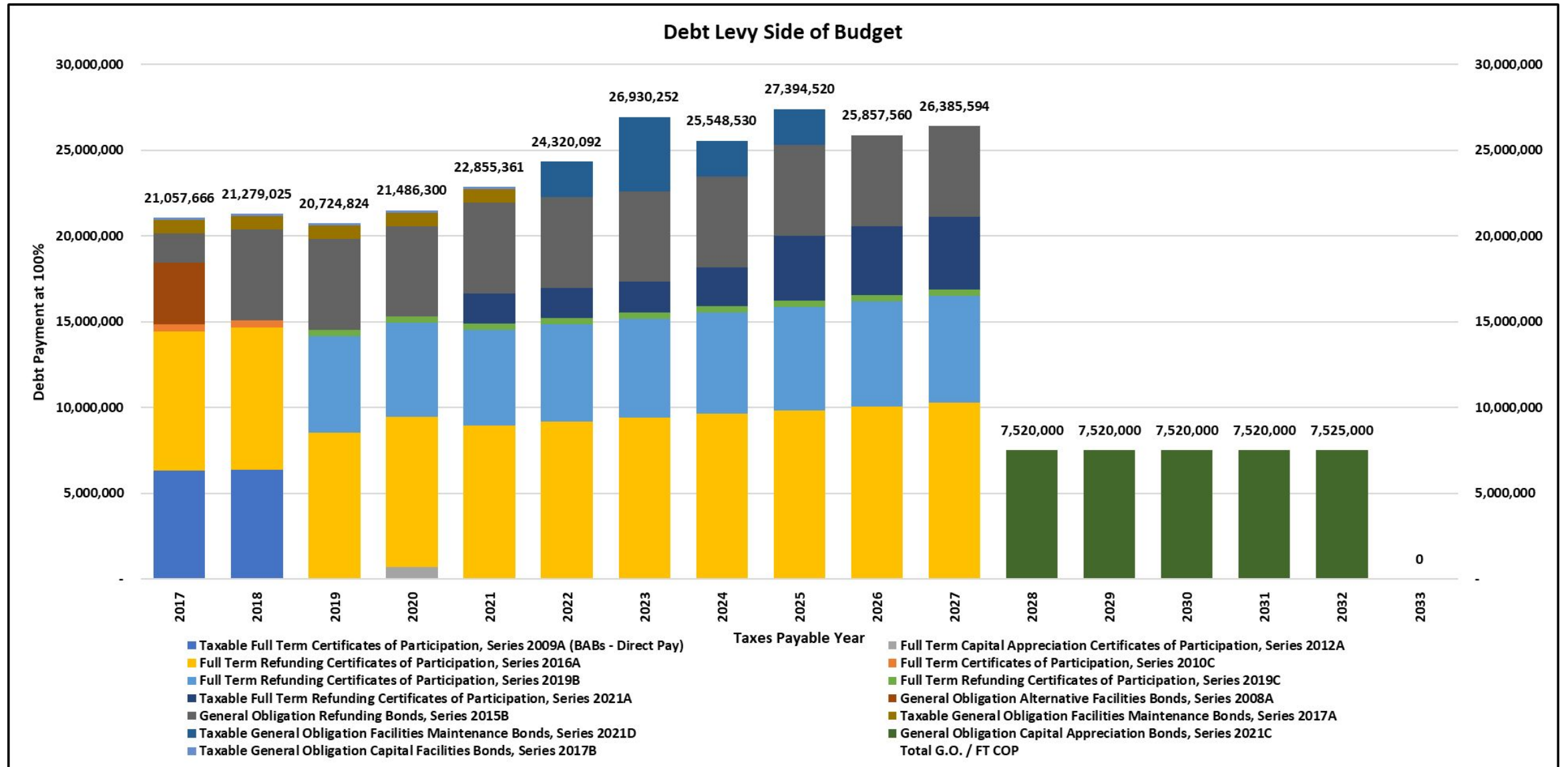




# ISD 709 – HISTORY OF RMV (REFERENDUM MARKET VALUE) REVENUE



# ISD 709 – HISTORY OF DEBT IMPACTING THE LEVY



# ISD 709 – SCHOOL PORTION HISTORY OF TAXES



## Year Taxes Payable

	2017	2018	2019	2020	2021	2022
RMV Rate	0.10835%	0.09780%	0.15481%	0.15286%	0.15304%	0.14166%
GO Debt Rate (Ag2School Qualified)	24.434%	23.007%	25.072%	23.819%	23.528%	22.757%
Remainder of NTC Levy Rate	7.852%	8.187%	8.886%	8.000%	6.684%	8.888%
Total NTC Rate	32.286%	31.194%	33.958%	31.819%	30.212%	31.645%

Type of Property	Estimated Market Value	Est. Annual Tax Impact	Est. Annual Tax Impact	Est. Annual Tax Impact	Est. Annual Tax Impact	Est. Annual Tax Impact	Est. Annual Tax Impact
Residential Homestead	50,000	151.03	142.48	179.28	171.89	167.16	165.77
	75,000	226.55	213.72	268.92	257.83	250.73	248.65
	100,000	340.16	321.77	398.63	381.32	369.96	368.87
	150,000	570.30	540.68	661.10	631.16	611.14	612.17
	175,000	685.20	649.98	792.17	755.93	731.57	733.66
	200,000	800.43	759.59	923.58	881.01	852.31	855.46
	250,000	1,030.56	978.49	1,186.06	1,130.85	1,093.49	1,098.76
	275,000	1,145.47	1,087.79	1,317.13	1,255.61	1,213.93	1,220.25
	300,000	1,260.70	1,197.40	1,448.53	1,380.69	1,334.66	1,342.05
	500,000	2,156.05	2,048.70	2,471.95	2,355.25	2,275.80	2,290.55
Commercial/ Industrial	750,000	3,435.86	3,268.01	3,920.16	3,731.74	3,602.53	3,633.61
	250,000	1,643.03	1,570.25	1,830.24	1,734.46	1,666.61	1,699.06
	500,000	3,528.21	3,374.45	3,915.17	3,707.56	3,559.81	3,635.46
	1,000,000	7,298.56	6,982.85	8,085.02	7,653.76	7,346.21	7,508.26
	2,500,000	18,609.61	17,808.05	20,594.57	19,492.36	18,705.41	19,126.66

## OPERATING REFERENDUM LEVY - WHAT IS IT?

An operating levy (otherwise known as a referendum revenue request or excess operating levy referendum) is a procedure which allows school districts to raise additional funds to supplement regular state education funding.

The State of Minnesota equalizes many educational levies based upon the district's ability to pay (Equalization Aid). This is one of those levies.

# OPERATING LEVY HISTORY

## ISD 709 Operating Referendum Results, 1991 to 2022

Year Held	Start Pay	Net \$/PU	# Years	Pass? Yes=1 No=0	# Yes Votes	# No Votes
1993	1994	345.03	4	1	Missing	Missing
1997	1998	315.00	5	1	12,347	5,468
2001	2002	425.00	5	0	13,409	16,810
2003	2004	365.60	5	1	16,285	14,021
2008	2009	500.00	5	0	15,875	35,430
2008	2009	365.60	5	1	35,196	17,326
2008	2009	334.40	5	0	23,760	28,363
2011	2012	284.77	5	0	9,865	12,504
2011	2012	122.70	5	0	8,323	13,969
2011	2012	98.15	5	0	7,574	14,662
2013	2014	595.78	5	1	12,676	6,627
2013	2014	200.00	5	1	9,781	9,445
2018	2019	371.78	10	1	32,248	12,314
2018	2019	575.00	10	1	23,805	20,346
2018	2019	335.00	10	0	21,387	22,575

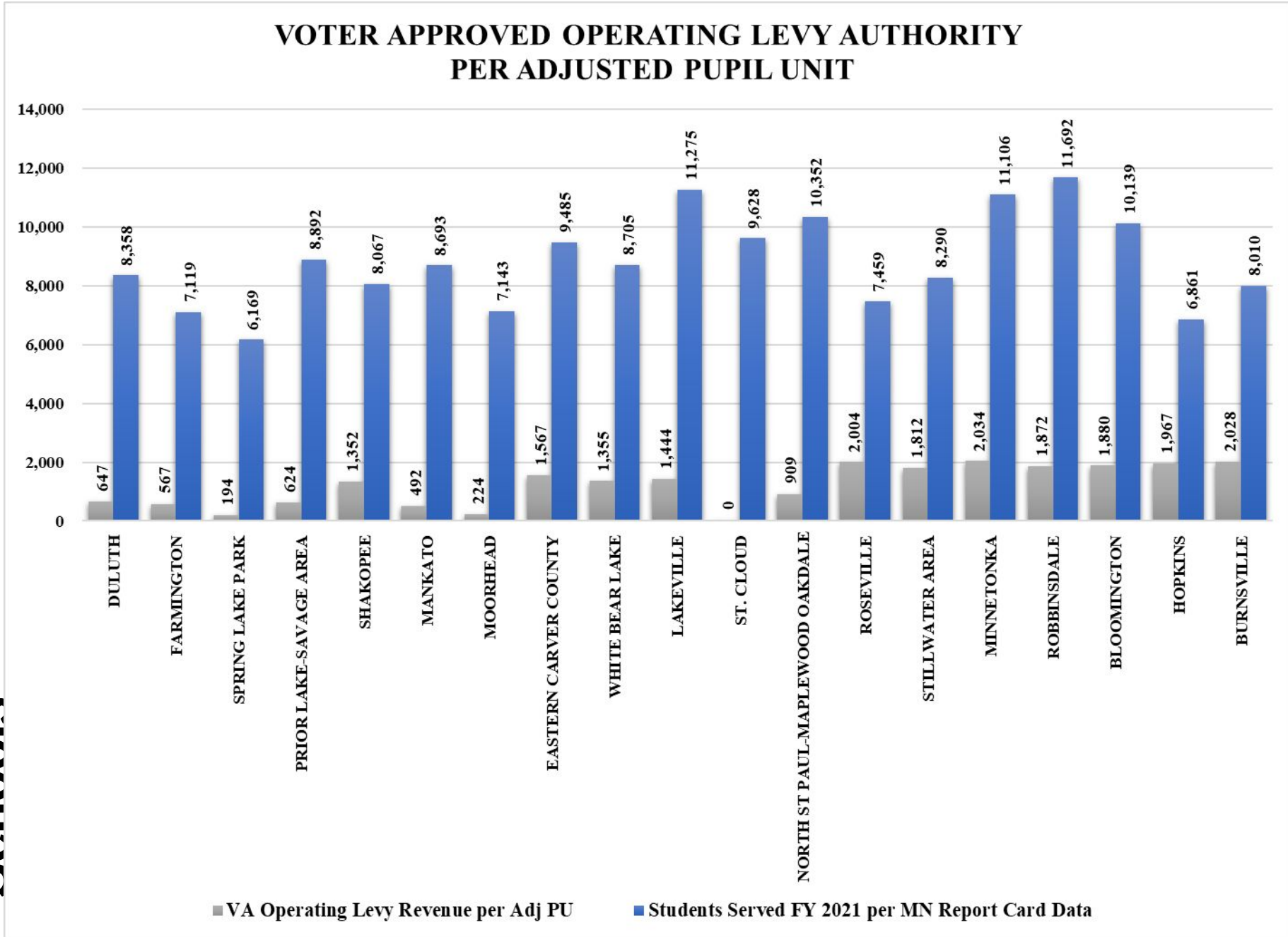
Select district										
709 <-- Enter District Number (1.2 for Minneapolis)										
0709-01 Duluth										
Phase Out Report With 2021 Elections										
Authority After 2021 Elections (see detail below)										
646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 -										
Elections Before 2019										
FY 2021 FY 2022 FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 FY 2029 FY 2030										
(1) Authority without CPI										
646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 646.78 -										



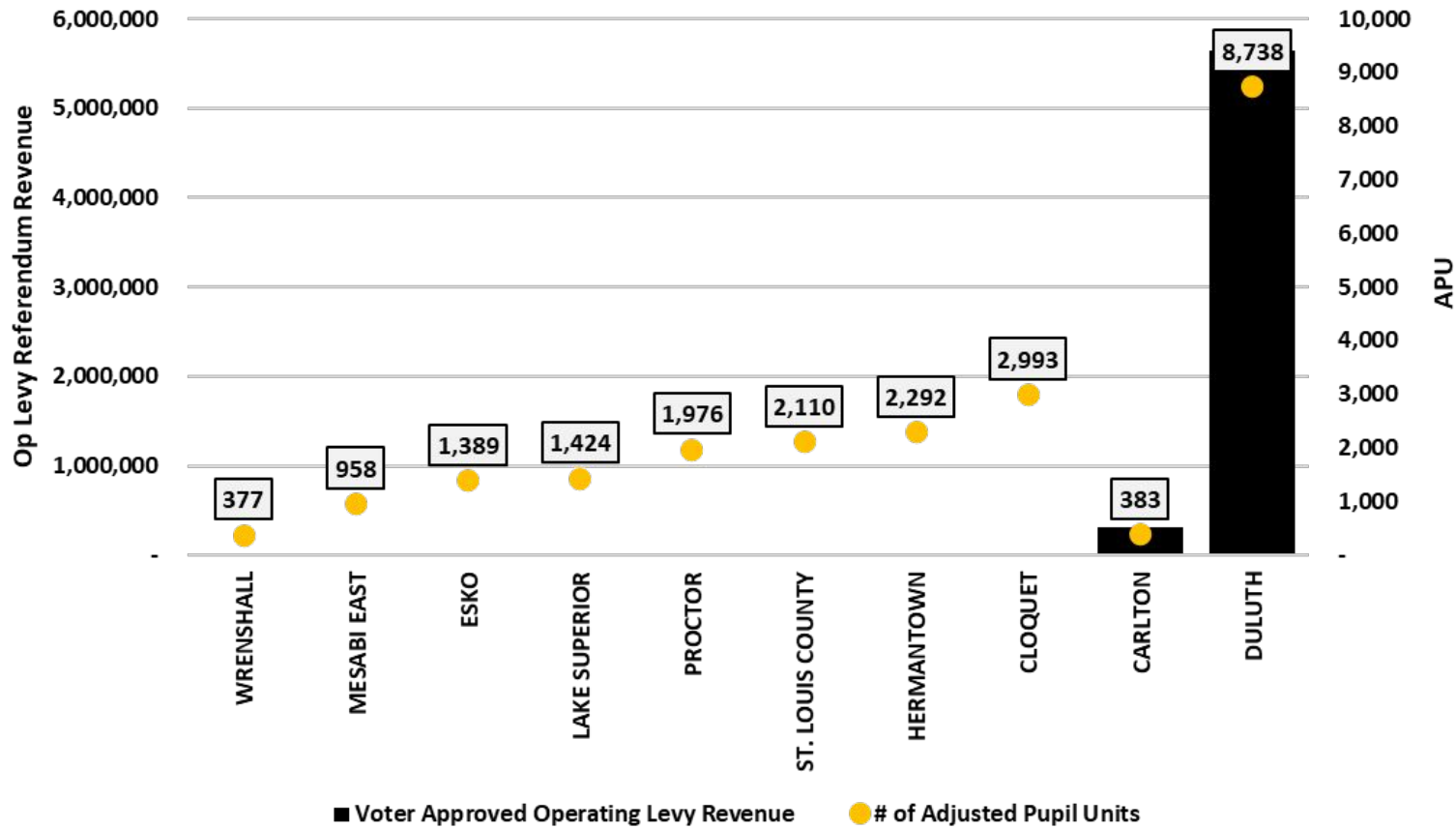
# REFERENDUM PHASEOUT REPORT

- For taxes payable 2023, this \$646.78/APU of operating levy authority generated \$5,651,777.08 in revenue
- Last year of collection for current operating levy authority is taxes payable 2028/ FY 2029
- Next available referendum date: November 7, 2023, for regular ballot
- Commencing revenue in taxes payable 2024 requires revoke / replace ballot language which will have disclaimer as follows: "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE. PASSAGE OF THIS REFERENDUM WILL RESULT IN AN INCREASE IN YOUR PROPERTY TAXES."

# MN School Districts with Similar Enrollment as Duluth Public Schools



### Taxes Payable 2023 - Neighbor Comparison of Operating Levy Revenue with Adjusted Pupil Units



NEIGHBOR  
COMPARISON – TOTAL  
VOTER – APPROVED  
OPERATING REVENUE  
AND APU



# NEW \$100/APU NET REVENUE AND TAX IMPACT

<b>Enter Residential Homestead Market Value</b> <b>200,000</b> <i>PLEASE NOTE ALL TAX IMPACT CALCULATIONS WILL UTILIZE THIS FIGURE</i>		<b>As a brief example, what will the required Notice to Taxpayers look like?</b>		
<b>BALLOT QUESTION #1 - EXAMPLE</b>				
<b>Enter New Request Portion for Operating Levy Referendum</b> <b>115.00</b>		<b>Effective Taxes Payable 2024</b>		
		<b>RMV Rate:</b>	0.010063%	
		<b>Property Value</b>	<b>New Authority</b>	
			<b>Annual Impact</b>	<b>Monthly Impact</b>
<b>ONLY portion of NEW Operating Referendum Revenue</b>	1,004,907.95	75,000	7.55	0.63
<b>Loss of Equity Revenue</b>	-	100,000	10.06	0.84
<b>How much NET NEW revenue will the request bring?</b>		1,004,907.95	125,000	12.58
			150,000	15.09
<b>Estimated District State Aid Percentages shown below</b>			175,000	17.61
First Tier Aid % <i>(first \$460 per Adj PU)</i>	0.000%	200,000	20.13	1.68
Second Tier Aid % <i>(next \$000 per Adj PU)</i>	0.000%	210,000	21.13	1.76
			235,000	23.65
			260,000	26.16
<b>Does this NEW Request Maximize the State's Aid Participation?</b>			300,000	30.19
<b>YES</b>			400,000	40.25

# CAPITAL PROJECTS REFERENDUM LEVY - WHAT IS IT?

Voter-Approved Levy May be used to provide dollars for eligible costs on an annual basis pursuant to M.S. 126C.10 subd. 14

Maximum duration of a capital projects referendum request is 10 levy years

Levy spread on the net tax capacity base of the district

Voters approve a **tax rate** and subsequent tax collections are generated on the approved tax rate (not on a dollar approved basis)

Review and Comment submittal to MDE is not required for a Capital projects Levy Referendum if the dollars are being used solely to fund technology and the District submits a school board resolution stating that funds approved by the voters will be used only as authorized in section 126C.10, subdivision 14.

### Eligible Uses for the Capital Projects Levy

MS 126C.10 Subd. 14. Uses of total operating capital revenue. Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;
- (5) for a surplus school building that is used substantially for a public non-school purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;

# CAPITAL PROJECTS LEVY REFERENDUM ELIGIBLE USES

# CAPITAL PROJECTS LEVY REFERENDUM ELIGIBLE USES (CONTINUED)

*Items highlighted in yellow are the most common uses of the capital projects levy across the State*

- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;
- (13) to pay special assessments levied against school property but not to pay assessments for service charges;
- (14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;
- (15) to purchase or lease interactive telecommunications equipment;
- (16) by board resolution, to transfer money into the debt redemption fund to:
  - (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or
  - (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;
- (17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;
- (18) to purchase or lease computers and related hardware, software, and annual licensing fees, copying machines, telecommunications equipment, and other noninstructional equipment;
- (19) to purchase or lease assistive technology or equipment for instructional programs;
- (20) to purchase textbooks as defined in section 123B.41, subdivision 2;
- (21) to purchase new and replacement library media resources or technology;
- (22) to lease or purchase vehicles;
- (23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:
  - (i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;
  - (ii) managing student assessment, services, and achievement information required for students with individualized education programs; and
  - (iii) other classroom information management needs;
- (24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software; and
- (25) to pay the costs directly associated with closing a school facility, including moving and storage costs.

# CAPITAL PROJECTS LEVY INTERACTIVE MODEL– ANNUAL TAX IMPACT

		<i>CAP. PROJ. LEVY</i>	<i>CAP. PROJ. LEVY</i>	<i>CAP. PROJ. LEVY</i>	<i>CAP. PROJ. LEVY</i>	<i>CAP. PROJ. LEVY</i>
		Add New Capital Projects Levy - Pay 2024	Add New Capital Projects Levy - Pay 2024	Add New Capital Projects Levy - Pay 2024	Add New Capital Projects Levy - Pay 2024	Add New Capital Projects Levy - Pay 2024
		1,000,000.00	4,000,000.00	5,000,000.00	6,000,000.00	7,000,000.00
Estimated Market Value		Add New Capital Projects Levy Impact	Add New Capital Projects Levy Impact	Add New Capital Projects Levy Impact	Add New Capital Projects Levy Impact	Add New Capital Projects Levy Impact
<b>Homestead Residential Property</b>	150,000	11.16	44.66	55.82	66.99	78.15
	200,000	15.98	63.93	79.91	95.89	111.88
	300,000	25.62	102.47	128.09	153.71	179.32
<b>Commercial / Industrial</b>	150,000	19.89	79.56	99.45	119.34	139.23
	200,000	28.73	114.92	143.65	172.37	201.10
	300,000	46.41	185.63	232.04	278.45	324.86
<b>Apartments</b>	150,000	16.57	66.30	82.87	99.45	116.02
	200,000	22.10	88.40	110.50	132.60	154.70
	300,000	33.15	132.60	165.75	198.89	232.04
<b>Ag Dwelling Value of HSTD (house, garage and 1 acre)</b>	150,000	11.16	44.66	55.82	66.99	78.15
	200,000	15.98	63.93	79.91	95.89	111.88
	300,000	25.62	102.47	128.09	153.71	179.32
<b>Ag Dwelling Value of HSTD (house, garage and 1 acre)</b>	3,000	0.13	0.53	0.66	0.80	0.93
	4,000	0.18	0.71	0.88	1.06	1.24
	5,000	0.22	0.88	1.10	1.33	1.55
<b>Ag Dwelling Value of HSTD (house, garage and 1 acre)</b>	3,000	0.27	1.06	1.33	1.59	1.86
	4,000	0.35	1.41	1.77	2.12	2.48
	5,000	0.44	1.77	2.21	2.65	3.09

# TAXABLE TECHNOLOGY BOND

- Use a voter – approved general obligation bond consisting of tax – exempt and taxable components to fund technology needs into the foreseeable future while structuring payments around existing debt expiration to mitigate additional tax impact to constituents

# DISTRICT NEEDS, WANTS, AND IDEAS

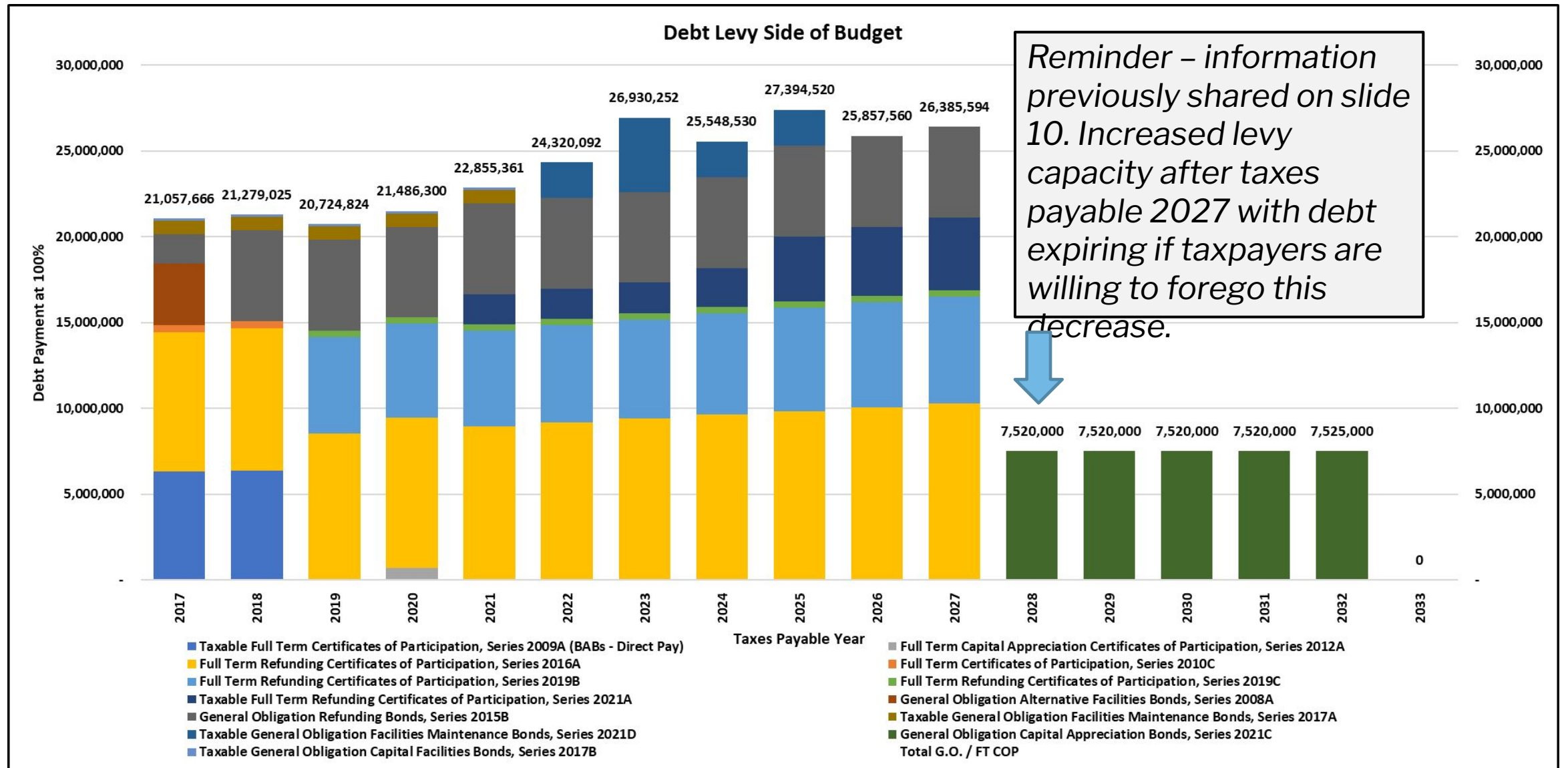
## Personnel

- Previously funded with ESSER dollars – new funding source needed after FY 2024 to retain personnel integral to delivering necessary services
- Class size restructuring
  - District may explore adding new teaching positions
    - For assumption purposes: Total cost per teacher inclusive of salary & benefits: \$125,000
    - Will need to raise an additional \$5 million if 40 new positions were added (40 X \$125,000)
- Contractual Examination and Restructuring Alternatives
  - Explore ability to offer early retirement/retirement options/incentives
    - Assumption: For each personal development day, the estimated cost is \$600,000

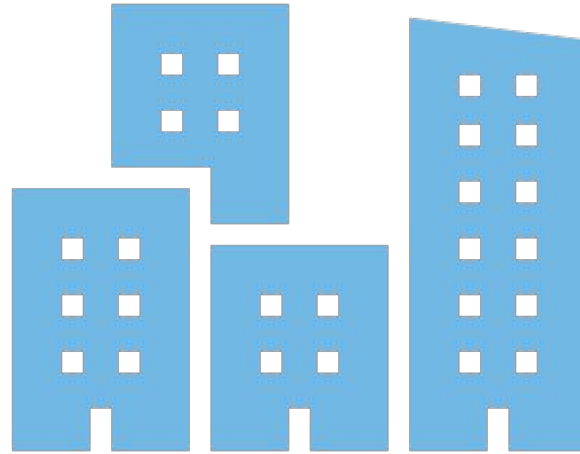
## Technology

- \$2 million annually needed to maintain current replacement cycles
- Previously funded 1:1 initiative with ESSER and need to provide funding to maintain
- Explore use of operating capital account (where recent sale proceeds of 2 school buildings were placed) to begin tech funding and phase in recurring funding source to coincide with other future levy reductions

# ISD 709 – HISTORY OF DEBT IMPACTING THE LEVY

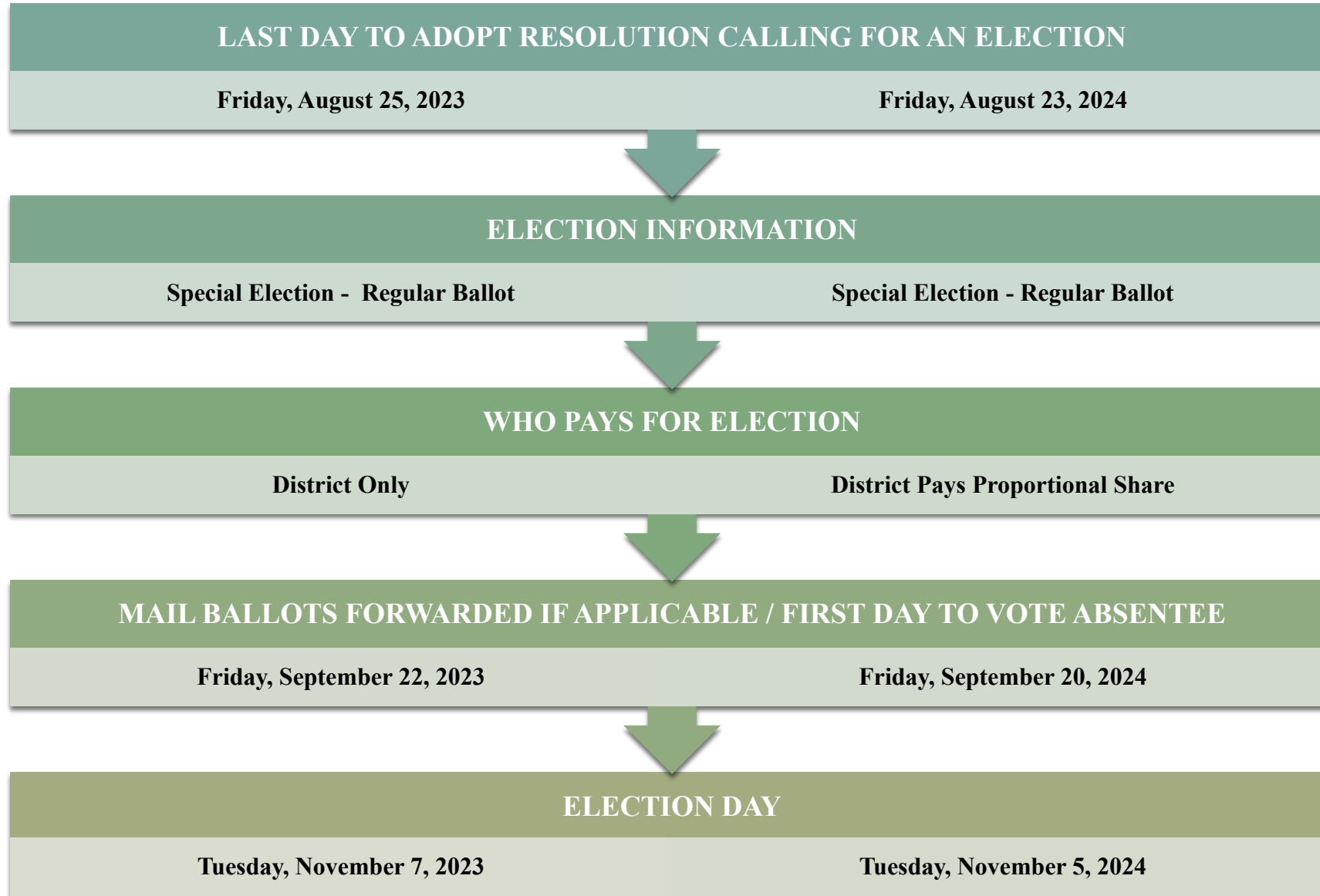






PLAN DEVELOPMENT/COMMUNICATING WITHIN OUR ORGANIZATION FIRST

# KEY OPERATING LEVY ELECTION DATES – 2023 AND 2024



**Based on District's financial status (not in SOD), the District can only ask for a voter approved operating referendum from voters once a calendar year. If the voter approved request is not held on the November general election date, it must be by mail ballot.**

**Pros of a 2023 Election:**

- Statistically better passage rate in odd years
- Avoid November 2024 General Election



**Provide a history of District operating revenue and operating election results**



**Prepare an interactive document for District use to help determine revenue generated by such options as Straight Renewal or Renewal plus new amount**



**Baird coordinates with legal counsel to provide resolution calling for election at future School Board meeting**



**Base Package cost of \$1,000 which includes two on-site meetings with District**



- Baird provides website tax calculator for every specific parcel \$1,000
- Election notice printing and mailing - \$1,000 plus the costs incurred by Baird from the County, Print Shop and Mailing Service
- Informational Post Card printing and mailing - \$1,000 plus the costs incurred by Baird from the County, Print Shop and Mailing Service
- Additional meetings beyond the two meetings included in base package will be

## BAIRD'S SERVICE PACKAGE OPERATING LEVY REFERENDUM ASSISTANCE

FURTHER  
THOUGHTS/QUESTIONS  
REGARDING OPERATING  
REFERENDUM?

