

WAYZATA PUBLIC SCHOOLS

Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION

Special Meeting - September 26, 2016 - 4:00 PM
District Administration Building

AGENDA

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| 1. ROLL CALL | 3 |
| 2. FINANCE AND BUSINESS | |
| A. Preliminary Levy Limitation and Certification -2016 Payable 2017 | 4 |
| 3. ADJOURN | 14 |

WAYZATA PUBLIC SCHOOLS

Independent School District 284
Wayzata, Minnesota

MISSION

Our Core Purpose:

The mission of Wayzata Public Schools is to ensure a world-class education that prepares each and every student to thrive today and excel tomorrow in an ever-changing global society.

VISION

What We Intend to Create and Experience:

The vision of Wayzata Public Schools is to be a model of excellence where all students discover their unique talents, develop a love and tenacity for learning and demonstrate confidence and capacity for success through:

Exceptional Student Learning, Experiences and Relationships:

- High achievement by each and every student—no exceptions, no excuses;
- Content-rich, rigorous and personalized education;
- Meaningful relationships with teachers, staff, mentors and peers in a welcoming, nurturing and safe environment where all are valued for who they are and the contributions they make.

Community Trust, Confidence and Partnership:

- Comprehensive learning opportunities meeting diverse learner needs and community aspirations;
- Committed to being the first choice for students and families;
- Maintaining the highest levels of satisfaction and pride by staff, parents and community.

Operational Excellence:

- Attraction, development and retention of exemplary, creative and engaged employees;
- Accountability by all staff for individual and collective performance;
- Effective and efficient use of time and human, financial and physical resources;
- Culture of continuous improvement and responsive innovation;
- High performing district governance, management and partnerships.

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Independent School District 284
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BOARD OF EDUCATION
Special Meeting – September 26, 2016

AGENDA SECTION: 1. Call to Order

ITEM: Call to Order/Roll Call Attendance

COMMENTS BY: Chris McCullough, Board Chair

School Board Chair, Chris McCullough, will call the meeting to order. Clerk Cheryl Polzin will call the roll.

	<u>Present</u>	<u>Absent</u>
Linda A. Cohen	_____	_____
Andrea Cuene	_____	_____
Sarah Johansen	_____	_____
Erik Brown	_____	_____
Chris McCullough	_____	_____
Bonita Lucky	_____	_____
Cheryl Polzin	_____	_____
Chace B. Anderson, Ex Officio	_____	_____

WAYZATA PUBLIC SCHOOLS
Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION
Special Meeting – September 26, 2016

AGENDA SECTION: 2. Finance and Business

ITEM: A. Preliminary Levy Limitation and Certification

COMMENTS BY: Jill Schwint, Controller

Preliminary Levy Limitation and Certification -2016 Payable 2017

Minnesota Law requires school districts to certify their proposed property tax levy payable in 2017 to the county auditor on or before September 30, 2016. We have recently received the levy data from the Minnesota Department of Education and have analyzed the details. A summary written analysis of the proposed levy is included for your review.

The Minnesota Department of Education is still in the process of making computer program changes and will be providing school districts with updated reports if any changes need to be made. While most components of the levy are materially accurate and complete, the Administration will be recommending that the Board levy a preliminary amount in all funds. If the Board approves the maximum allowed, the county auditor will automatically include any positive adjustments in the levy. Otherwise, the final levy amount cannot exceed the preliminary levy amount, except for some very limited exceptions. The Citizens Financial Advisory Council and Administration recommend that the Board adopt this preliminary levy.

The School Board will set the final levy certification amounts at its Regular Board meeting in December.

RECOMMENDED ACTION: Approve the Preliminary Levy Limitation and Certification for 2016 Payable 2017 at the "maximum" allowed by state statute.

Motion by: _____ Yes _____ Passed _____

Second by: _____ No _____ Failed _____

Abstentions: _____



Jim Westrum, Executive Director of Finance & Business Services
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TO: Members of the Board of Education
Dr. Chace Anderson, Superintendent of Schools

FROM: Jim Westrum, Finance and Business

DATE: September 26, 2016

SUBJ: **Recommendation of the Payable 2017 Preliminary Tax Levy Certification to Finance a portion of the 2017-2018 School Year Operations**

We have received a draft “Levy Limitation and Certification” document from the State Department of Education. Based on this state authorization, we have enclosed several exhibits summarizing our preliminary levy for your consideration.

The school district’s payable 2017 preliminary tax levy must be certified by our school board by September 30, 2016. Therefore, it is necessary that we certify a preliminary tax levy at the special school board meeting scheduled for Monday, September 26, 2016. Once we have submitted our preliminary tax levy certification to the county auditor, it can be increased only with authorization from the Minnesota Department of Education. However, individual items may be decreased prior to final approval which is expected to occur in December 2016.

The district’s property tax levy is allocated to individual parcels of property in the district using formulas based upon Hennepin County’s assessed market value. Hennepin County’s preliminary estimate of the district’s total assessed market value has increased more than \$800 million from \$11.3 billion to \$12.1 billion. This represents a 7.12% increase in market value and includes existing as well as new properties. It is important to note that there continues to be significant variations in changes associated with individual parcels of properties within the District’s eight cities. Thus, individual taxpayers will not see similar changes in their individual property’s market value and that directly translates into the variability of their school district property tax amounts. Preliminary review of a sample selection of properties has shown assessed valuations fluctuating from a minimal increase to double digit percent increases. We will have a sample of individual parcel estimates available prior to approval of the final levy scheduled in December.

Overall, we are pleased to remind the community that the sale of the voter approved bonds for recently completed construction projects at Wayzata High School and Meadow Ridge elementary school produced favorable results. The District administration has also taken steps to refund certain outstanding debt issues that have directly translated into savings for our taxpayers as well. Prudent fiscal practices continue to result in the District’s local property tax levy impact associated with the voter approved building bonds being slightly less than what was communicated to the public.

As in prior years, the legislature often passes statutes that impact school districts and the formulas that drive a school district’s local property tax levy. These legislative changes combined with revenue formulas, student enrollment growth and individual taxpayer’s market value fluctuations add complexity to a school district’s local property tax levy. The purpose of this document will be to discuss the significant changes that have occurred in the Payable 2017 Preliminary Tax Levy and provide clarity to the school board and to the community.

PROPOSED SCHOOL TAX LEVY

The total preliminary levy for taxes payable in 2017 is \$60.75 million. This total levy amount represents an overall increase of \$2.3 million or 3.98% from the previous year, and includes principal and interest payments on the \$109.645 million of building bonds approved by voters in February 2014. We continue to be pleased to report that the tax impact of issuing these voter approved bonds continues to be less than the impact communicated to our public and translates into savings to our taxpayers for years to come.

The table below shows a comparison of the administration’s recommended preliminary levy payable in 2017 with the District’s final levy payable in 2016. While the levy detail is presented by fund, it is important to focus on the district’s **total** Payable 2017 levy when comparing to the **total** Payable 2016 levy. The intentional migration to a pay-as-you go strategy for funding facility maintenance projects means that these resources will no longer be recorded in the Debt Service fund but instead will be accounted for in the General fund. The net impact to the District’s total levy is minimal from this change in accounting.

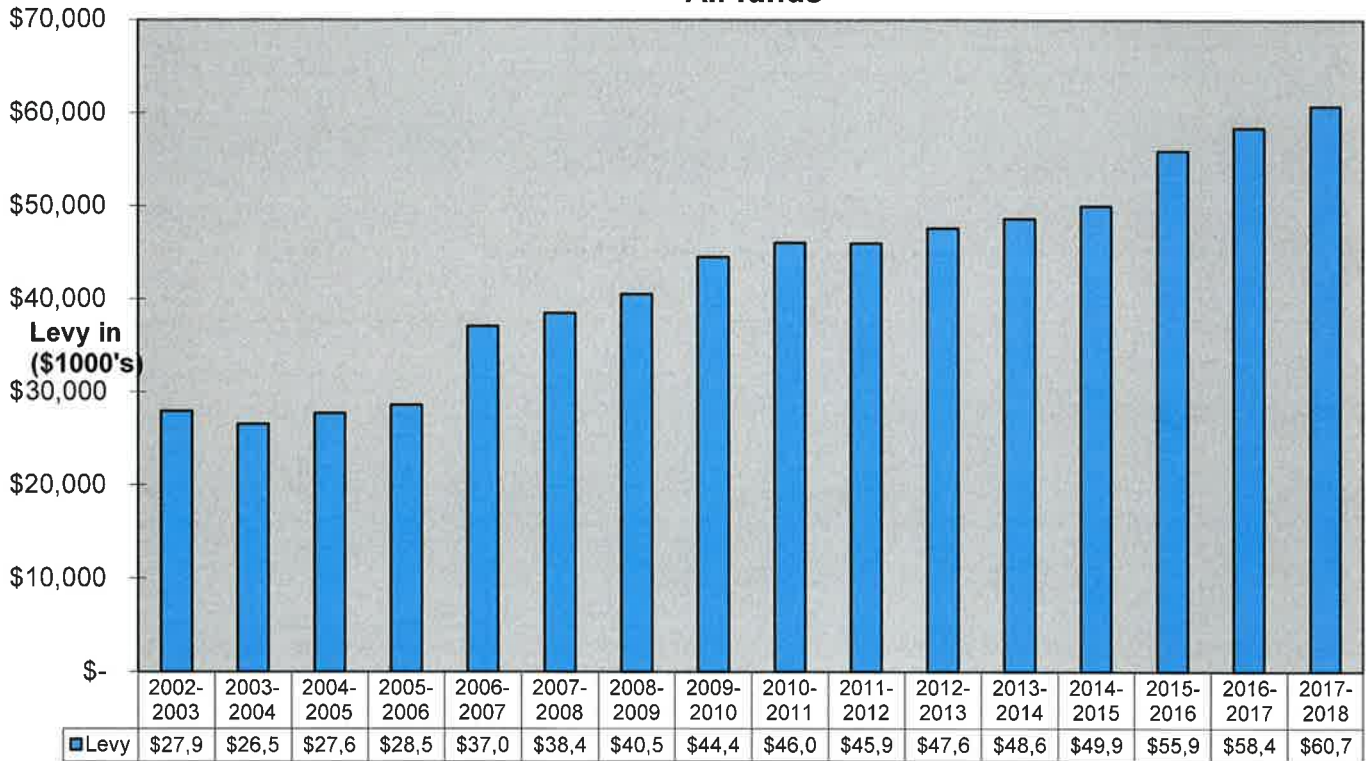
<u>FUND</u>	<u>PRELIMINARY 2017 LEVY</u>	<u>PAYABLE 2016 LEVY</u>	<u>CHANGE</u>	<u>PERCENT CHANGE</u>
General	\$ 51,350,271	\$ 42,675,175	\$ 8,675,096	20.33%
Community Service	\$ 1,009,407	\$ 1,104,518	\$ (95,110)	(8.61%)
Debt Service	\$ 8,395,227	\$ 14,650,126	\$ (6,254,899)	(42.70%)
Total Payable Levy	<u>60,754,906</u>	<u>\$ 58,429,819</u>	<u>\$ 2,325,087</u>	<u>3.98%</u>

Much of the change in the District’s **total** Payable 2017 levy when compared to the prior year is due to legislative changes and growth in the District’s student enrollment. Voter approved operating referendum authority is calculated based upon the number of students times the per pupil authority. Resident student enrollment growth translates directly into an increase in the total operating referendum authority component of our property tax levy. As mentioned earlier in this document, the robust residential development occurring in the District helps to minimize the impact this increase may have on an individual taxpayer’s share of this increase.

It is also important to note that the District’s preliminary levy amount not only includes referendum authority for the 2017-18 school year, but levy adjustments for changes in final 2014-2015 resident enrollment as well as changes in revised 2016-2017 resident student enrollment. Thus, it is helpful to look at each of the funds for a detailed analysis of the components that make up each of the totals for each of the funds presented above. Discussion of those components will occur within this document.

The following chart shows the district's total levy history over the last decade.

**Property Tax levy Historical Trends
All funds**



Historically, it is important to note that the district's local tax levy declined significantly in the 2002-2003 school year due to the major changes and property tax reform that took place at that time. Levies subsequent to 2002-2003 include voter approved operating referendum and technology levies that were approved by voters of the district. Over the last five years, the District's total levy increase (excluding the voter approved bonds) has averaged in the 4% growth rate...similar to the student enrollment growth rate. With the district's robust growth in the northern part of the district, the corresponding tax capacity growth has served to minimize the individual taxpayer impact of most of the increases in levy components. While adding additional homes and properties within the district continue to reduce the tax burden of existing taxpayers, recent legislative changes on how local property taxes are allocated and variations in assessed valuations often make it difficult to quantify a direct correlation between the district's property tax levy and the amount of taxes that an individual property owner will pay.

The following pages provide a detailed analysis of the levy by fund.

GENERAL FUND

Exhibit I is a detailed analysis of the proposed levy recommendation for the General fund. Overall, while the General fund levy increased by \$8.68 million, \$8.1 million of this change is a planned shift between funding sources and is directly offset by a corresponding \$8.1 million decrease in the Debt service fund. Thus the net change in the District's total levy related to this planned change is neutral to the District's taxpayers. The school board has approved a two-year and ten-year facility maintenance plan that was previously funded by issuing bonds and making principal and interest payments out of the Debt service fund. Facility maintenance will now be funded on a pay-as-you go basis using long term facility maintenance levy authority and accounted for in the General fund. This program replaces the former alternative facilities levy and will allow the District to annually generate approximately \$10 million of revenue to be used exclusively for funding the maintenance of its facilities.

The remaining increase in the District's general fund levy is due to voter approved revenue authority. \$1,084,473 of the increase is due to referendum authority attributed to growth in our resident student enrollment. In 2009, local voters approved an operating referendum that provides revenue to be used for class size reductions and other educational purposes. This voter approved operating referendum authority is calculated based upon the number of students and enrollment growth translates directly into an increase in the total operating referendum authority component of our property tax levy.

The District voters have also authorized an annual technology levy that has increased by \$427,096 to fund \$6.4 million in annual technology expenses such as IPADS and technology access and support.

The General fund levy also includes several other components that are primarily formula driven and have changed either due to changes in estimates, changes in enrollment or changes in the district's tax capacity. For instance, voter approved operating referendum authority is calculated based upon the number of students times the per pupil authority. Projected student enrollment growth translates directly into an increase in the total operating referendum authority component of our property tax levy. It is also important to note that the district's preliminary levy amount not only includes referendum authority for the 2017-18 school year, but levy adjustments for changes in final 2014-2015 resident enrollment as well as changes in revised 2016-2017 resident student enrollment. Thus, a negative \$499,301 in the General fund levy reduces this year's levy as the authority from prior years' is adjusted to actual due to changes between estimated and actual resident student enrollment. Similar adjustments occur with other levy components as can be seen with the prior year adjustments amounts included in this analysis.

The District's administration pays close attention to the adjustments as large swings can have a large impact on the District's total levy. For instance, the large change in Abatements means that the Pay 2017 property taxes will decrease by \$973,705 without a corresponding change in the District's financial position as abatements were recognized in the accounting records of the District when they occurred.

Overall, each individual component of the general fund levy has been reviewed for reasonableness and accuracy with the corresponding formula that drives its calculation. Nothing unusual was noted.

Excellence. For each and every student.

COMMUNITY SERVICES FUND

Exhibit II is a detailed analysis of the proposed levy recommendation for the Community Services fund.

These levies are based on statewide tax rates applied to all property in the State. Statewide revenue formulas continue to generate slight increases in revenue due to current and prior district population growth. The addition of all-day kindergarten programming has reduced the need and cost of providing school age care for students with disabilities and accounts for the majority of the \$304,431 negative adjustment to this levy.

The school board passed a resolution at its June 2016 school board meeting that revised the District's total population estimate. The Community Services fund levy includes the updated population in its calculations.

DEBT SERVICE FUND

Exhibit III is a detailed analysis of the proposed levy recommendation for the Debt Service fund.

The district is required to levy 105% of scheduled principal and interest payments. The required levy includes the **current** required debt service amount.

Overall, while the Debt Service fund levy decreased by \$6.2 million, \$8.1 million of this change is a planned shift between funding sources and is directly offset by a corresponding \$8.1 million increase in the General fund. Thus the net change in the District's total levy related to this planned change is neutral to the District's taxpayers. The school board has approved a two-year and ten-year facility maintenance plan that was previously funded by issuing bonds and making principal and interest payments out of the Debt service fund. Facility maintenance will now be funded on a pay-as-you go basis using long term facility maintenance levy authority and accounted for in the General fund. This program replaces the former alternative facilities levy and will allow the District to annually fund approximately \$10 million of revenue to be used exclusively for the maintenance of its facilities.

SUMMARY

The proposed school tax levy represents the combined total impact, across all funds, of the legislated property tax program combined with the educational programming needs of the Wayzata Public Schools as they relate to our particular levy authority/capacity. As the state continues to refine the 38 pages of formulas that calculate this levy, it is important to note that minor changes may still occur. This year the state is allowing local school boards to simply approve a "MAXIMUM" preliminary levy certification to allow changes made until September 30th to be reflected in the parcel specific notices that will be mailed out this fall. We are recommending that the board approve the "Maximum" amount at this time. The board retains the option to reduce the amount subsequently adopted at the December 12, 2016 meeting.

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TRUTH IN TAXATION LAW

Legislative Session Laws 2009 repealed the requirement to hold a truth in taxation hearing. The public will have the opportunity to speak to the board at the regular school board meeting December 12, 2016 at 7:00 p.m.

If you have questions regarding the enclosed materials or desire additional information, please give me a call at any time at 763-745-5023.

Wayzata Public Schools
 Pay 2017 Analysis as of 9-15-16
 General Fund Levy -Proposed

Exhibit I

		PRELIMINARY Payable 2017 Amount	Payable 2016 Amount	Dollar Change	Percent Change
Referendum Levy Authority	*	\$ 18,989,353	\$ 17,904,880	\$ 1,084,473	6.06%
--- Prior year adjustments		(499,301)	638,095	(1,137,396)	-178.25%
Local Optional (Location Equity)		5,421,349	5,248,781	172,568	3.29%
--- Prior year adjustments		(158,288)	(47,064)	(111,224)	236.32%
Equity Revenue		1,129,980	1,181,440	(51,459)	-4.36%
--- Prior year adjustments		(105,446)	64,727	(170,173)	-262.91%
Transition Revenue		15,088	14,607	480	3.29%
--- Prior year adjustments		(416)	(250)	(167)	66.80%
Technology Levy	*	6,424,403	5,997,307	427,096	7.12%
Student Achievement (New GenEd)		194,386	392,448	(198,061)	-50.47%
Operating Capital		1,567,710	1,994,095	(426,385)	-21.38%
Alt Teacher Compensation (Q-comp)		1,019,520	990,460	29,060	2.93%
Achievement & Integration (new formula)		493,095	512,609	(19,514)	-3.81%
Reemployment (state unemployment)		25,000	50,000	(25,000)	-50.00%
Safe Schools/Crime Levy		460,303	445,651	14,652	3.29%
-- Safe schools Intermediate 287		191,793	185,688	6,105	3.29%
Ice Arena		249,657	206,383	43,273	20.97%
Career Technical		488,903	476,793	12,110	2.54%
Health and Safety		-	-	-	#DIV/0!
Alt Facilities/Deferred Maintenance	**	12,481,028	3,459,723	9,021,304	260.75%
Capital Facility Bonds	***	(600,228)	(596,764)	(3,464)	0.58%
Lease Levy		3,351,360	2,887,213	464,146	16.08%
Abatements		(93,760)	879,945	(973,705)	-110.66%
Other adjustments	****	304,783	(211,593)	516,376	-244.04%
GENERAL FUND TOTALS		\$ 51,350,271	\$ 42,675,175	\$ 8,675,096	20.33%

* These levy components represent voter approved revenue sources indexed for inflation or student growth.

** See corresponding reduction in the Debt Service fund for alternative facilities bonds

*** See corresponding addition in the Debt Service fund for capital facilities bonds

**** Includes many minor adjustments due to more current and accurate information.

Wayzata Public Schools
 Pay 2017 Analysis as of 9-15-16
 Community Service Fd - Proposed

Exhibit II

	PRELIMINARY			
	Payable 2017 Amount	Payable 2016 Amount	Dollar Change	Percent Change
Basic Levy	\$ 458,881	\$ 447,921	\$ 10,960	2.4%
Early Childhood Levy	454,872	444,682	10,190	2.3%
Home Visitation Levy	12,585	6,520	6,065	93.0%
Adults with Disabilities	7,500	7,500	-	0.0%
School Age Care (before and after school for students w/disabilities Abatements and Prior year adjustments	380,000 (304,431)	360,000 (162,106)	20,000 (142,325)	5.6%
COMMUNITY SERVICE FUND TOTALS	\$ 1,009,407	\$ 1,104,518	\$ (95,110)	-8.61%

Wayzata Public Schools
 Pay 2017 Analysis as of 9-15-16
 Debt Service Fd Levy - Proposed

Exhibit III

	PRELIMINARY			
	Payable 2017 Amount	Payable 2016 Amount	Dollar Change	Percent Change
Levy of 105% of Principal and Interest Debt Excess (Refund to taxpayers)	\$ 5,249,686 (139,391)	\$ 13,319,142 (838,774)	\$ (8,069,456) 699,382	-60.6%
Capital and Alternative Facilities Bonds Debt Excess (Refund to taxpayers)	3,381,047 (75,835)	2,016,361 (94,863)	1,364,686 19,029	67.7%
Abatements and Prior year adjustments	(20,280)	248,260	(268,540)	
DEBT SERVICE FUND TOTALS	<u>8,395,227</u>	<u>14,650,126</u>	<u>(6,254,899)</u>	<u>-42.70%</u>

WAYZATA PUBLIC SCHOOLS
Independent School District 284
Wayzata, Minnesota

BOARD OF EDUCATION
Special Meeting – September 26, 2016

AGENDA SECTION: 3. Adjourn

ITEM: _____

COMMENTS BY: Chris McCullough, Board Chair

This agenda item brings closure to the school board meeting.

RECOMMENDED ACTION: Call the meeting to a close.

Motion by: _____ Yes _____ Passed _____

Second by: _____ No _____ Failed _____

Abstentions: _____

Time of Adjournment: _____