

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

**Summary of August 18, 2022 Study Session**

The School Board of Minnetonka Independent School District #276 met in study session at 6:00 p.m. on Thursday, August 18, 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, John Odom, Meghan Selinger, Lisa Wagner and Superintendent David Law, ex officio.

**UPDATE ON OPEB TRUST FUND**

Executive Director of Finance and Operations Paul Bourgeois led the discussion. He explained that in August of 2008, the Board had established the Minnetonka Independent School District 276 Other Post-Employment Benefits (OPEB) Revocable Trust to provide assets for the payment of lifelong post-employment benefits for health insurance owed to employees who had been working under contracts with those provisions prior to July 1, 2002. The School Board specifically chose to establish a revocable trust, as the statutes authorizing such trusts allowed for the trusts to be either irrevocable or revocable. Under the statutes governing the revocable trust option, there is a provision that allows for any excess assets over the actuarial accrued liability to be withdrawn by the School Board and used for any District purpose.

In the ensuing approximately 13 years, OPEB Trust assets grew from their original amount of \$17,742,555 in August 2008 to \$28,051,349 as of June 20, 2021, while the OPEB Liability decreased from \$17,742,555 in August 2008 to \$10,985,427 as of June 30, 2021.

During Fiscal Year 2022, the School Board decided to withdraw \$9,850,000 of OPEB Trust Excess assets so that they could be invested in the construction of the VANTAGE MOMENTUM Building, which will be a 100-year asset for the District.

**OPEB Revocable Trust History and Purpose**

- MN Legislature in 2008 passed MN Statute 471.6175 allowing public entities to fund a trust for Other Post Employment Benefits
  - OPEB liabilities were primarily lifetime health insurance benefits paid to retirees that had been negotiated in bargaining unit contracts
  - To establish a trust, the participation in these types of benefits had to have been capped by 7/1/02
  - The trust could be funded by the issuance of General Obligation Bonds
- The District chose to establish a revocable trust because we knew excess assets were likely to accrue for several reasons:

- Actuaries were directed to use a conservative 3.0% discount rate to calculate the initial liability
- Sufficient funds would be in the trust to cover any economic downturns
- At the time, 3.0% was what the District could earn on its own with its cash investments
- With a fixed number of participants, normal mortality would result in the liability decreasing significantly
- The Trust was established in 2008 with a liability of \$17,742,555 for 615 participants
- Wells Fargo Private Wealth Management was selected as the investment manager for the Trust
- From FY08 through FY22, \$9,218,998 has been disbursed to the General Fund to pay for retiree benefits expenditures
- Without the OPEB Trust, the General Fund Unassigned Fund Balance would be \$9,218,998 lower as of June 30, 2022
  - \$23,727,906 – 17.0% - projected at June 30, 2022 closing
  - \$14,508,908 – 10.0% - without the OPEB Trust
- \$17,742,555 initial investment has returned \$19,068,998 in “dividends” for retiree benefit payments and VANTAGE/MOMENTUM construction
- The Corpus of the Trust remains at \$15,254,695 at 6/30/22
- The Actuarial Accrued Liability is \$8,708,215 as of CBIZ Actuaries’ 6/30/22 update
  - Participants are down to 209 from the initial 615
- Liability is funded at 175% as of 6/30/22
- \$9,461,726 in “dividends” for retiree benefits scheduled for FY23-FY39
- Amortization ends after 30 years in FY39 – due to mortality
- 6/30/22 status:
  - Trust assets had grown to \$28,051,380
  - Liability had declined from \$17,742,555 in 2008 down to \$10,985,427
- On October 7, 2021, the Board approved the use of \$7,000,000 in excess assets from the OPEB Revocable Trust for use to construct the strategic asset of the VANTAGE/MOMENTUM building
- On May 19, 2022, the Board approved the use of \$2,850,000 in excess assets from the OPEB Revocable Trust for use to construct the strategic asset of the VANTAGE/MOMENTUM building after construction inflation had impacted the price of the project

In closing, Mr. Bourgeois thanked the members of the 2008 School Board who had established the trust and chose to make it a revocable trust, saying the fund had been a wonderful asset for the District. Board Treasurer Becker, who sits on the District’s OPEB Advisory Committee, said that the committee had been very supportive of using some of the fund’s excess assets to help fund the construction of the VANTAGE/MOMENTUM building.

## **CITIZEN INPUT**

Chairperson Vitale extended an invitation to members of the audience who wished to address the Board on any topic. No one responded to this invitation to speak.

## **UPDATE ON ADDITIONAL VANTAGE/MOMENTUM PARKING ABOVE CLEAR SPRINGS POND**

Mr. Bourgeois led the discussion. By way of background, he noted that in 2014 and 2015, Highway 101 in front of Clear Springs Elementary School underwent a major rebuilding. As part of that process, the bus corral was relocated to an entrance off Covington Road to the south of Clear Springs. The driveway is over an easement from the City of Minnetonka over a conservation area that they purchased from Kolstad K-9 Acres many years ago. As part of the bus driveway relocation, what had been a pond used to train dogs to retrieve waterfowl was converted into a stormwater runoff control pond to handle the storm runoff from any additional hard-surface areas that were constructed because of the bus driveway relocation.

The City of Minnetonka has an easement to use any excess capacity in the pond for future roadway improvements in the neighborhoods to the east and south. With the purchase of the Kolstad K-9 Acres parcel, the District now has 100% of the stormwater runoff going into the pond. The District would like to move the pond underground and place additional parking on top of the pond to serve the VANTAGE/MOMENTUM Building which is under construction on the Kolstad K-9 Acres parcel.

Mr. Bourgeois noted that Hennepin County is considering vacating their easement, with a late 2022 or early 2023 determination. The City of Minnetonka has responded that they do not want to vacate their easement since there is excess capacity in the pond that they may have need of in the future due to future road improvements in the area.

The District has developed a plan that will increase the capacity of the pond by 93% - from 0.78 acre-feet to 1.51 acre-feet while moving the pond underground, which provides space for an additional 63 parking spaces as part of the project. The additional capacity would be preserved for use by the City to ensure that not only sufficient capacity but additional capacity remains to support any future City improvements in the adjacent neighborhoods. The District would maintain the pond as it does with its other 23 underground ponds. The City would gain more capacity and would be relieved of future maintenance costs. The District parking capacity at the site would increase to 131 spots from the current 68.

Mr. Bourgeois then went over the following next steps with the Board:

- Meet with City planning staff and administration to review the proposal
- Submit plan for approval by City – may take 4-6 months
- Submit plan to Riley Purgatory Bluff Creek Watershed District for approval
- Cost - \$1,500,000
- Funding source – COP Bonds with payments out of Operating Capital

- Bonds will not be issued until City approval is obtained
- Goal is approval no later than February 2023 if possible – bid out and construct after June 8, 2023 and complete in time for building opening on September 5, 2023

## **UPDATE ON BONDING CAPACITY FOR ADDITIONS AND SITE PROJECTS**

Mr. Bourgeois led the discussion. He began by noting that in the middle part of the 2000-2010 decade, the School Board took action to support open enrollment as a way to attract additional students and the associated revenue to benefit all students enrolled in the District. At the time, the facility capacity of the District was approximately 8,100 to 8,200 students, and enrollment was fluctuating between 7,600 and 7,700 students.

In the time period stretching from Fiscal Year 2008 through Fiscal Year 2022, the District has grown in enrollment from approximately 7,700 students to approximately 11,200 students. In order to accommodate these students, the District used existing revenue streams and bonding capacity authorized in statutes to construct additional facility capacity. Approximately 312,000 square feet of additional facilities capacity and supporting site infrastructure projects such as parking lots have been constructed or purchased. The 36,400-square foot VANTAGE/MOMENTUM Building is under construction for a September 2023 opening and a potential parking lot project to support that building will be constructed in summer 2023 pending City of Minnetonka approval.

The District has used a total of \$85,590,000 of Certificates of Participation Bonds to construct these facilities. Payment for these bonds are out of existing revenue streams authorized in Minnesota Statutes. The District has worked over the years to maximize the use of the statutory financing tools to meet the facility needs of the growing student body.

Mr. Bourgeois then provided a status report on the various bond issues of the district, the annual bond payments on the outstanding bond principal, and a look at the current and future levels of outstanding bonds as the district moves through its strategic facility initiatives and bonds are paid off over time. The report also contained additional information regarding the financial and budget history of the District, the course of the District set by past School Boards, and additional detail on various bond issues, all of which provide additional context to the information about the outstanding par value of bonds outstanding.

The Board then discussed how inflation has taken its toll on public education, and the importance of engaging the Legislature in the District's efforts to increase funding. Superintendent Law noted that the District was working on its legislative position statements for 2023, and a draft would be brought to the Board in the coming months.

## **ADJOURNMENT**

The Board adjourned the Study Session at 6:50 p.m.