

School Board Meeting/Workshop Date:

May 11, 2009

Subject:

OPEB, Lease, Q-Comp Levies

Presenter:

Chuck Klaassen
Director of Finance and Operations

SUGGESTED SCHOOL BOARD ACTION:

Review; Action on OPEB, Lease levies on May 26; Action on Q-Comp by August 24

DESCRIPTION:

Decisions on three optional levies will need to be made by the Board of Education in the next few months.

The **OPEB Bonds** Levy would enable the district to satisfy GASB 45 requirements and fund \$9 million in OPEB obligations over the next 13 years. The most significant impact of this action would be to free up approximately \$700,000 annually in general fund dollars for instructional and other use. That money would help us to sustain a higher level of programming than otherwise possible, and also preserve the integrity of our fund balance and overall financial plan. The property tax cost for the \$9 million in OPEB bonds would be approximately **\$3.33 per month** for an average home in our district. For these purposes I have estimated an average residential home taxable market value of \$182,000, down from the \$200,000 we had been using the past two years. I believe that is a fair and accurate average value for the payable 2010 year. I have attached a copy of the tax impact chart for OPEB Bonds. The timing of the decision regarding OPEB Bonds really hinges on the Legislature as there is a bill currently in the education funding conference committee that would sunset the bonding option as of August 1, 2009. A decision to begin this process needs to be made no later than May 26.

The **Lease Levy** for Early Childhood Family/Special Education in Montrose would enable the district to satisfy space needs now and into the future for ECFE/SE programming in the Montrose community. There are additional details and benefits of this project, as outlined in a separate agenda memo. The property tax cost for this project would be approximately **\$.25 per month** for an average home in the district. Currently we are levying about \$193,000 (18%) out of our allowable \$1,051,000 lease levy. This would add around \$60,000 to the total. I have attached a copy of the tax impact chart for this lease levy, but please note that this chart covers the total project cost, not just our portion. We would recover about half of those costs in rent revenue, lowering our actual levy and tax impact to about half of the amount shown. Another important note about this chart is that Ehlers mis-labeled the tax impact column heading. It should read "Lease Levy" not "Q-Comp Levy". The timing of the decision regarding the Montrose ECFE/SE center lease levy and project needs to be made by May 26 so that the district can meet the State lease levy deadlines and the design-build contractor could comply with his project and construction timelines.

The **Q-Comp** Levy for \$300,000 in Q-Comp funding would enable the district to implement an alternative compensation plan for teachers that would significantly alter the way that teachers are compensated in the district. Superintendent Bauck has provided you with information regarding the Q-Comp plans. The dollars from this levy would be in addition to the dollars (approximately \$1 million) in state aid for Q-Comp that the district would receive. The property tax cost for Q-Comp would be approximately **\$1.25 per month** for an average home in the district. I have attached a copy of the tax impact chart for this lease levy. While there are still discussions at the legislature regarding Q-Comp funding, it appears that the decision window for this will be in line with the fall levy certification process, which would necessitate a decision no later than early September 2009.

I have also attached an additional property tax impact chart showing the total impact of these three projects added to the existing total school property taxes and showing that total for an average home over a 14-year period of time.

ATTACHMENT(S):

Property Tax Impact Charts (4)