

School Board Meeting:

December 8, 2008

Subject:

Alternate Facilities Transfer

Presenter:

Tina Burkholder

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

At the October 27th School Board meeting, a construction update was given on the 2005 Alternate Facility bonds. The bonds were used towards indoor air quality projects at Tatanka Elementary, Hanover Elementary, Montrose Elementary, and Discovery Elementary. As mentioned previously, the Alternate Facilities fund has nearly \$1 million in remaining funds. The intent is to give back the remaining balance to the taxpayers to reduce future property tax obligations. The remaining balance is not significant enough to add another school building to the list (for example: Parkside Elementary).

According to MN State Statute 123B.63, subdivision 4, any funds remaining in the building construction fund that are not applied to the payment of the costs of approved projects must be transferred to the district's debt service fund. The transfer normally occurs after all payments have been made and the projects are complete. The Business Office had a couple of reasons to speed up the process. The debt service tax levy was going to increase \$350,000 in the upcoming 2008 Payable 2009 levy, then level off again for the next six years. The Business Office's goal is to minimize the spikes and maintain a relatively flat debt service levy. The other reason was based on a successful operating referendum. The transfer would have also help partially offset property tax increases from a successful operating referendum.

Because not all vendor payments have been finalized, the Business Office was comfortable requesting from the MN Department of Education to approve an initial transfer of \$500,000. The 2008 Payable 2009 debt service levy will be reduced \$500,000, and the district will need to approve a transfer of \$500,000 from the Alternate Facilities Fund's remaining balance to the Debt Service Fund, thus returning that money to the taxpayers by reducing future tax obligations. Once the final vendor payments are paid during the 2008-2009 school year, a similar transfer will happen again next year after the final balance is determined.

To sum up, the Business Office recommends transferring \$500,000 of the Alternate Facilities' remaining balance to the Debt Service fund.

Attachments:

Attachment 1: Alt Fac Fund Update 120108