

SD27J – Quality School Initiative Committee

February 20, 2014

Overland Trail Middle School, 455 N. 19th Ave., Brighton, 80601

DRAFT NOTES

Members of the School District 27J's Quality School Initiative Committee (QSIC) convened for their fourth meeting (*please see appendix A for list of attendees*). The purpose of the meeting was: to gain mutual understanding of bond/mill levy override, bond/mill election history in 27J and other compatible districts, and 27J voter demographic; to learn about the property tax implications of various sizes of a bond and mill; to build agreement on whether to go forward with a bond and/or mill levy override election; and, if so, develop consensus on the total bond and mill levy override amount.

I. PROPERTY TAX IMPACTS OF BOND AND MILL LEVY OVERRIDE & ELECTION HISTORY

Dan O'Connell, RBC Capital Markets, presented background on what a bond and mill levy override is, how it is funded, and election history in 27J and other communities.

Bond and Mill Levy Override - Key Highlights

Bond – funds capital improvements

- A loan (similar to a mortgage)
- Timeframe – typically 20 years (some up to 30 years)
- Secured by property tax payers in district
- Double tax exempt - federal and state – therefore interest rates are lower than commercial loans
- Law limits bond amount requested to the greater of 20% Assessed Value or 25% for fast growing (27J is “fast growing”) less outstanding debt, or 6% of Actual Value
- Currently, according to 27J Finance Department, the outstanding bond debt is \$141,665,000.

Mill Levy Override – funds ongoing operational needs

- Law limits override amount requested to up to 25% of the Total Program Funding
- 100 of state's 178 school districts have some override funding
- Currently, SD27J has a \$750,000 override
- Statewide median per FTE pupil override funding is \$1000; SD27J is \$46 per pupil
- SD27J max override available for request (based on 25% limit) – approx. \$32 million

Tax Bill History – Key Highlights

- District has passed 3 bonds and 1 override in the last 13 years, including the successful 2000 bond and mill levy election and school district tax bill is basically unchanged (school tax only)

- Since 1996, average single-family home value has risen from \$155,000 to \$217,000 (highest was \$243,000 in 2008 and benchmarked to Census)

Election History – Key Highlights

- 27J History: beginning in 2000, 1 mill levy override and 3 bond elections passed; and failed 4 mill levy attempts and 2 bond attempts
 - Mill levy overrides - passed in 2000 (\$750,000, currently this means \$46 per student); failed in 2005, 2008, 2010 and 2011
 - Bond – passed in 2000 (\$28.5 million), 2004 (\$49.9 million), 2006 (\$89 million); failed in 2003, 2005, and 2008
 - Items of note in history
 - October 2008 – the “great recession” started, bond failed and have not sought election since;
 - 2004 instituted split schedules
- Statewide history
 - Bonds
 - 2000-2004: 65%-86% of districts passed bonds;
 - 2006-2013: 41%-92% passed bonds (2011 and 2013 only 40% passed them)
 - Mill levy overrides
 - 2000-2004: 63%-96% of districts passed mill levy overrides (except 2002 when only 50% passed them);
 - 2006-2013: 40%-68% passed mill levy overrides (two exceptions – 2011 only 21% passed, and 2012 93% passed)
 - Item of note in statewide history
 - 2008 – Cherry Creek, Denver, St. Vrain, Aurora passed; all others that passed were very small districts

Voter Data – Key Highlights

- 48,161 voters in District (as of 8/2013)
- Estimated 20,000 voting parents (24,000 district households, some assumed to be single parent households)
- Highest rate of voters are 65+ years old

Questions/Answers/Comments

- *Q: Who decides what amount to ask for and what is included?*
A: Ultimately the Board of Education determines the amount and what will be included.
- *Q: Does TABOR apply to override?*
A: Yes. Taxpayers would approve an override amount and timeframe, and the amount could not be increased without additional voter approval. Example: if the ask is for \$4million without a stated timeframe, it goes on in perpetuity but can't be increased.
- *Q: Why are there 78 other districts with no override (“100 of the 178 school district in the state have some type of override”)?*

A: Many of these districts are quite small. Greeley and Pueblo do not have additional funding and are on the larger scale.

- *Q: Is there conventional wisdom of how often to go for mill override or bond? What is the maximum we could request based on limits?*

A: There is no conventional wisdom on how often; it is based on if and where the money is needed. The district would go out for maximum bond capacity, on the 20-25 year loan repayment, of about \$70 million right now based on the calculation of 25% of assessed valuation less outstanding debt. Mill levy override limit would be a maximum of \$32 million (based on limit of 25% of total program). Important to remember that over time money gets spent, recurring expenses continue to grow, and the value of money erodes (due to inflation); this is when an additional override is considered.

- *Comments:* How the campaign is conducted will be very important, including a 'get out vote' effort to register voters. There will need to be a dedicated group getting the vote out and making contact with voters up until the last moment.

II. REVIEW OPERATIONAL PACKAGES AND QSI DRAFT BOND PACKAGES

Kelly Corbett, SD27J presented some draft Mill Levy Override packages, showing QSI members what \$5 million, \$7.5 million and \$10 million might buy based on QSI priority options (prioritized at 1/30 meeting). These packages are not intended to reflect final packages; only as an illustration to understand what mill levy override dollars might buy (intended for illustration only). These packages don't include SD27J staff's opinions on the 'biggest bang for the buck' on operational improvements. Following this meeting SD27J staff will put together a more comprehensive package of operational items including QSI and 27J priorities and biggest bang for the buck based on QSI's draft mill levy override and bond amounts.

Questions/Answers/Comments

- *Q: Do the estimates include fully burdened salaries?*
A: The salaries include benefits, taxes, etc.
- *Q: How do we guarantee voters the programs, efforts, items on which the money will be spent?*
A: Tonight's task is to establish a draft total dollar amount. Then the District will come back and fill in the details and then seek group approval.
- *Q: How can the list include a district wide Gifted and Talented (GT) coordinator without support staff for the program?*
A: Support staff can be scaled as needed. This chart is only an initial idea based on QSI's operational priorities from 1/30 meeting, and not intended to be fully detailed (only illustrative). Once QSI provides a draft dollar amount the District will use their expertise and QSI information to come back with a complete draft package at the March 20th meeting.

Discussion

- In order to pass these needed requests, the District will need to determine what is the most effective way to spend dollars to make the district better. To be determined is the message to associate with moving the bar to a better district.
- In order to pass the mill levy, it is imperative to make sure the language is not too vague to pass, but vague enough to that the District can stay current with education literature and have the ability to change the learning environment for kids.
- Need to understand how the pieces work, will investing money guarantee that there are drastic changes to the quality of the district.
 - District: best belief and justification
 - District will try to get the best package; biggest bang for the buck.
 - Soft science involves pieces. There is nothing proven to improve instruction for all students. If it existed, it would be done.
 - District is prepared and equipped to come up with a rank order of what the district would suggest. Bringing the package back will show biggest bang for buck and what will improve the district the most within that money amount.
- The district cannot buy the correct ratio for optimal learning (15:1). But it can look into better supervision (25-30:1); but supervision is a harder sell.

III. SMALL GROUP DISCUSSION ON THE RIGHT ASK: 1) Bond amount; 2) Mill levy override amount; and 3) total tax impact per \$100k of home value (\$x increase a year)?

Four small groups discussed the right bond amount and the right mill levy override amount to ask school district tax payers to vote on in 2014 and the corresponding tax impact on each \$100,000 of home value.

To help the discussion small groups used a “calculator”/spread sheet to calculate impact on \$100k of home value of various possible bond and mill levy amounts. The calculator allowed them to change: 1) bond amount; 2) mill levy override amount; and/or 3) the home value amount (e.g., if they wanted to see impact/increase on average home price they could change home value from \$100k to \$217k or any home price). The calculator would then show corresponding school tax increase amount and new total school district tax amount for entered home value.

Below are the results of those discussions (see appendix for facilitator notes on each small group):

<i>(in millions)</i>	<i>Group 1</i>	<i>Group 2</i>	<i>Group 3</i>	<i>Group 4</i>
<i>Bond</i>	\$175	\$150	\$150	\$200
<i>Mill Levy</i>	\$7.5	\$2-10 phased	\$8	\$10
<i>Impact on \$100K of home value</i>	Increase of \$153 a year per \$100k	Increase of \$84-\$158 a year per \$100k	Increase of \$140 a year per 100K	Increase of \$194 a year per \$100k

Small groups reported they tried to balance the interests of district needs (capacity and operational), what voters would approve, and the tax increase/impact on homeowners (particularly fixed income homeowners). Several groups assumed that with passage of a mill levy override some of the current fees would go away (e.g., transportation fees and some program fees like book fees). However, the district did not confirm whether this would be considered.

There was not total agreement within each group. Some individuals wanted lower numbers than their group's number because of the cost to the homeowner. Others wanted a higher number than their group because the District's/student's need is so great. In one case, the desire and need to successfully pass a bond (addressing seat needs) was paramount, to the point where no mill levy override should be requested in order that the tax impact be small and focused on the biggest problem (capacity) and therefore have the biggest chance of passing.

Other Small Groups Chose these Bond and Mill Levy Amounts:

- Improved schools can contribute to a better economic community
- Although the tax increase may be painful at first, once passed it becomes a regular bill
- Increased amount people are willing to pay varies with each person
- Increased cost per home should be the driver
- Amounts must enable the District to deliver promises to the voters (not too small, while not too much increase on tax payers)
- Need to make enough change that the voters see the change; if voters don't see a difference then trust will be lost and voters are less likely to pass another bond and/or mill levy override
- Need to go big, otherwise not worth the fight (why work hard for less)

Bond specific reasoning

- \$125 million was enough to address seat needs
- Students need the funding passed – need adequate space and improvements
- \$150 million is the minimum to meet the Districts seat needs
- Elementary, middle school, high school needs met (across all levels)

Phased Mill Levy Override specific reasoning

- Will be easier to sell to voters, smaller initial impacts
- Still able to fund operations

Other comments

- Determine voter response; see how it polls with the survey
- Idea: establish a date for the start of high school split schedule and then have the vote
- Mill levy override needs to be more “sellable” (focus on priority list created by the group and how other districts have passed mill levy override)

- Need to know what the market will bear?
- Importance is in how it is sold, break it down – for instance for a \$200m bond & \$10m mill the average home (\$217k) would pay a total of \$1210 annually or \$100 per month

IV. DISCUSSION & AGREEMENT ON THE RIGHT ASK: 1) Bond amount; 2) Mill levy override amount; and 3) total tax impact per \$100k of home value (\$x increase a year)?

- While considering package numbers, it seems they are just numbers without substance; how do we say what is palatable or not for voters to consider if there is no substance?
- Public perception, lack of public trust – being promised things for approving tax increase then not getting promised deliverables (e.g., RTD)
- Imperative to pass these; there has been no new funding for so long, we need to find a way to pass these
- Scaring off voters - \$200 million is too scary big; \$175 felt less scary, others felt \$150 was more agreeable/passable
- Need to consider that some areas of the district have a far higher total tax rate than other areas; what is feasible for this area may be different than those with lower total tax burden

AGREEMENT: Two draft ‘right ask’ amount options for packaging:

- A: \$150 million bond and phase mill levy override \$2-\$10 million
- B: \$150 million bond and \$7.5 million mill levy override (*an increase of \$135 per \$100k of home value, or \$293 increase on average home/\$217k home value*)

V. NEXT STEPS

- **No meeting 3/6** (allows SD27J more time for packaging)
- Jody Erikson will request QSI availability for an April meeting
- SD27J will produce packages for the two funding amounts and provide them to QSI for review on 3/20
- **Next meeting: 3/20** @ Vikan Middle School (879 Jessup St., Brighton, 80601)

**APPENDIX A:
Attendance 2/20/14**

QSI MEMBERS:

- Flora Aguirre-Diaz
- Meredith Berman
- Johanna Brown
- Kate Brown
- Janell Collins
- Christy Dowling
- Valerie Escatel
- Barb Fasbender
- Chris Fiedler
- Lynne Fox
- Nate Golich
- Virginia Guzman
- Stephanie Happ
- Melissa Hoelting
- Natalia Ledezma-Rollins
- Jason McEldowney
- Dick McLean
- Ben Ploeger
- Brian Pritchard
- Rodger Quist
- Melanie Sheehan
- Christine Shock
- Chaz Tedesco
- Howard Thomas
- Karen Vaughn
- Chris Wahrle
- Amy Werpy
- Troy Whitmore
- Isaiah Wilson
- Sean Woytek

SD27J Staff

- Kelly Corbett
- Joy Gerdom
- Terry Lucero
- Will Pierce
- Ruth DeCrescentis
- Kevin Denke
- Suzi DeYoung

Presenters/Financial Consultants

- Dan O'Connell
- Rudy
- ?

Facilitation Team: JSE Associates

- Jody Erikson
- Niki Koszalka

APPENDIX B
Worksheet Notes from Small Group Recorders

Small groups were tasked to build agreement around if, and if so, how much to ask (combined dollar amount) and how much for mill and how much for bond.

GROUP ONE

What is the right bond, mill and correlative tax impact per \$100k of home value?

- \$175 million bond
- \$7.5 million override
- \$153 increase in education portion of taxes per \$100k in house value

Why are these the right numbers? Why not higher? Why not lower? Reasons, assumptions, rationale, or values that helped make the tough trade-off choice

- Did not believe that \$125 million was enough for a bond
- Group can see how these numbers reflect the needed funding for the district while acknowledging the tax increase can be painful
- Improved schools can contribute to a better economic community
- Once the increase is passed, it becomes a regular bill
- Group discussed paying all the fees anyway
- Post public school education families – more concern with college education
- How much are people willing to pay as an increase (different for everyone)
- Kids need the funding passed: adequate space and improvements
- Selfish lens used to view this issue across the board

*Group was driven by cost per home increase

GROUP TWO

What is the right bond, mill and correlative tax impact per \$100k of home value?

- \$150 million bond
- \$2-10 million override (phased)
- \$84 increase in education portion of taxes per \$100k in house value

Why are these the right numbers? Why not higher? Why not lower? Reasons, assumptions, rationale, or values that helped make the tough trade-off choice

- Group liked the “phased in” mill levy to voters (easier to “sell”)
- \$150 fits minimum needs and not asking for \$200
- Phase – not super expensive; easier to sell to voters; still getting new schools and funding toward schools
- Bond meets needs of the district
- Growth supports mill
- Elementary, middle school, high school
- Raising funding keeps it level with “phased”

GROUP THREE

What is the right bond, mill and correlative tax impact per \$100k of home value?

QSI Committee Meeting Summary: February 20, 2014

- \$150 million bond
- \$8 million override
- \$140 increase in education portion of taxes per \$100k in house value

Why are these the right numbers? Why not higher? Why not lower? Reasons, assumptions, rationale, or values that helped make the tough trade-off choice

- New high school, elementary school, technology
- Asking amounts above will enable district to deliver on promises to the voters
- Need to maintain operating costs
- Determine voter response; see how it polls with the survey
- Idea: establish a date for the start of split schedule and then have the vote
- Comfort in the dollar amounts being passable in a vote
- Mill levy override needs to be more “sellable” (focus on priority list created by the group and how other districts have passed mill levy override)

*Group came to consensus minus one on the amounts; one member felt it would be best to not have any mill levy

GROUP FOUR

What is the right bond, mill and correlative tax impact per \$100k of home value?

- \$200 million bond
- \$10 million override
- \$194 increase in education portion of taxes per \$100k in house value

Why are these the right numbers? Why not higher? Why not lower? Reasons, assumptions, rationale, or values that helped make the tough trade-off choice

- Will not fight for less; would not work hard for less
- If do not get enough money, will not make a visual change and get voters, parents will not trust to vote more
- But, too much of an increase for parents
- What will the market bear?
- Go big or else will have to continue to go back and re-ask
- It is how we sell it – on average home (\$217K); it is \$1210 annually or \$100 per month
- Assumption: Some fees go away (ex: transportation, book, etc.)
- Trying to look long term at question. \$150 would not buy enough for the average parent to see a real difference and would be less likely to put more money toward education in future.
- Commit and work toward the \$200 million in a campaign, with the right work would be sellable and closer to where the district needed to be.
- Parents at table: \$150 million bond. \$200 was a 33% increase in education taxes. Could be hard to sell.