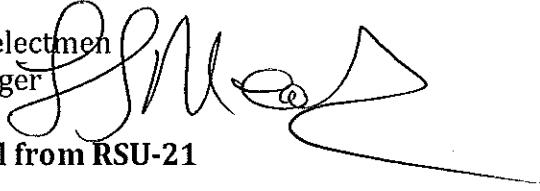


TOWN OF KENNEBUNKPORT
Memorandum

January 22, 2013

TO: Members of the Board of Selectmen
FROM: Larry Mead, Town Manager



ITEM 5: Cost Sharing Proposal from RSU-21

Item 5 is to countersign the RSU21 warrant for March 26. The School Board has put the **Cost Sharing** changes on the ballot. In summary the changes in the cost sharing plan shifts a greater share of school costs to Kennebunkport taxpayers by increasing the weight given to municipal valuation in the cost sharing formula and decreasing the weight given to number of students each town has in the district.

The cost sharing applies only to the local costs (above EPS) in the school budget, which comprise about 15% of the total budget. Cost sharing for the greater portion (85%) of the school budget is set by the state as part of the Essential Programs and Services (EPS) required of every school district in the state.

The proposed cost sharing changes can be divided into three categories: operating budget, capital costs including debt service, and the cost of remaining debt obligations from the former SAD 71.

Operating budget:

Using the FY13 school budget for analysis the proposed changes would increase costs for Kennebunkport taxpayers by 23 cents per \$1,000 of valuation, or \$23 per \$100,000 of valuation.

Currently costs are allocated through a formula that is weighted 60% valuation and 40% student count. The new cost sharing formula would be 90% valuation and 10% pupil count.

Capital budget:

If the proposed renovations to Kennebunk High School, Kennebunkport Consolidated School and Arundel Mildred L Day School were approved at the current recommended total cost of more than \$60 million, the cost to Kennebunkport taxpayers would increase by 36 cents per \$1,000 of valuation, or \$36 per \$100,000 of valuation.

Currently costs are allocated through a formula that is weighted 60% valuation and 40% student count. The new cost sharing formula would be based on 100% valuation. The actual increased cost to Kennebunkport taxpayers would depend on the amount of future capital expenditures that School District taxpayers approve.

Former SAD 71 debt:

The proposed change would increase the cost to Kennebunkport taxpayers by 10 cents per thousand, or \$10 per \$100,000 of valuation.

Currently Kennebunkport and Kennebunk split the cost of debt incurred by SAD 71 through a formula that is weighted 70% valuation and 30% pupil count. Kennebunk disputed the allocation of debt as finalized by the State and approved by voters in establishing RSU 21. The remaining SAD 71 debt will be paid in full in 12 years.

There are two other components contained in the cost sharing formula changes. One component requires that property values that are placed by a member town in a tax increment financing district be included in the calculation of that town's valuation for purposes of the cost sharing formula. The second component supports the principle of keeping an elementary school in each member town by ensuring that, if the school board votes to close the elementary school in Kennebunkport or Arundel, the RSU must continue to fully fund the operations of that school if the voters of the town where the school is located vote to keep the school open.

To summarize, the proposed changes to the cost sharing formula would add about 33 cents to the Kennebunkport tax rate for the budget year beginning in July, 2013. In addition, should voters approve borrowing funds for school reconstruction projects as currently proposed, the Kennebunkport tax rate would increase by \$1.47, which is 36 cents higher than would be the case if no changes were made to the cost sharing formula.

See the attached memo prepared by RSU 21 Superintendent, dated Nov. 28, 2012, which more fully describes the effects of proposed cost sharing changes.