



Ginny McManus <mcmanusg@rsu5.org>

Corrected Documents

E. William Stockmeyer <billstockmeyer@dwmlaw.com>

Thu, Dec 14, 2017 at 11:28 AM

To: "lickteigm@rsu5.org" <lickteigm@rsu5.org>, Ginny McManus <mcmanusg@rsu5.org>

Cc: "foleyb@rsu5.org" <foleyb@rsu5.org>

Michelle and Ginny,

Here are the corrections to the documents distributed to the board last night. I have also provided some comments below that may be of some assistance to the board in considering the cost sharing question.

Please distribute the attached materials to the board and make sure the board replaces what was distributed last night with these two documents. To avoid confusion, everyone might either discard, or mark "DO NOT USE" on the document emailed yesterday. The only significant change is to the last example on Table 2 (100% Pupil Count Model). I also found some other very minor corrections, on the order of rounding errors.

After hearing the board's discussion last night, I offer the following comments and clarifications:

1. The board may consider changing the formula, but has no obligation to change the formula. Under section 13-B of the Plan, "Cost Sharing in the RSU," the Board is not even obliged by that section to consider changing the formula. If there is an obligation to consider the formula, that would be by virtue of section 14 of the Plan, which states that the Board "shall conduct a comprehensive review of the Plan in the 5th year of the RSU's operation, to determine if any amendments are appropriate, except that any changes to the cost sharing method under section 13B will be governed by the procedure outlined in Section 13 B." Section 14 would apply to any Plan amendment, not just cost sharing. But section 14 further provides that amendments to the Plan may be considered at any time. Given that we are now in the ninth year of the RSU (four years past the 5th year), it would seem that there is no strict mandate to do anything at this particular point in time. It is up to the discretion of the board. Should there be any particular objection, the board may consider an amendment to the Plan at any time.

2. As I noted, Pownal this year is paying slightly over its valuation percentage, which is unusual. The difference is not much. Its valuation is going up as percentage of the RSU total valuation (10.27% in FY 2017 and 10.75% in FY 2018). It is paying 11.2% of local costs vs 10.75% of valuation in FY 2018, a difference of under ½ of 1% (NOTE: as I explained at the meeting, Table 1 shows 12.6% of the "Additional Local Monies," but if all the local share is considered, Pownal's share is 11.2%).

3. To be clear, however, there is nothing inherently wrong with Pownal paying slightly over its valuation. This may fluctuate from year to year. Also, as mentioned at the meeting, different members came into the RSU contributing different things (such as state subsidy, and such as Freeport's "give back" of its EPS minimum receiver adjustment). Also, members benefit by joining into a district with better education programming and cost efficiencies than they obtained on their own. These relative benefits must be considered, and as discussed in the FAQ, these benefits were considered when the formula was agreed upon and established.

4. If need for a change is identified, it is important to consider what is workable, considering the process outlined to amend the formula and its requirements.

5. It is probably important that this not become divisive. Particularly if the formula is "working," remember that fairness is somewhat subjective. Perhaps looked at more broadly, the question is whether the formula is working well or not.
6. The materials outline two types of change.
- a. Table 2 shows various changes to both the "Total Required Local Contribution" component, as well as to the "Additional Local Monies" component. These are replaced with the EPS component (shared per the state methodology on Form ED 279) and the additional local funds component used by most other school districts. Table 2 shows different ways to divide additional local funds, ranging from 100% valuation (common) to 100% pupil count (not used to my knowledge).
 - b. Table 3, in contrast to Table 2, leaves in place the "Total Required Local Contribution" component and the "Additional Local Monies" component, but suggests changing the fixed percentages dividing up the "Additional Local Monies," to metrics based upon valuation and/or pupil counts.
7. The idea of both Tables 2 and 3 is to show total dollar impacts of various changes. The extra handout takes this one step further by showing the dollar impact, in terms of changes to the tax rates of the communities. For this purpose, I selected just three of the examples from Tables 2 and 3.
8. Conceptually, a third type of change would be to leave in place the "Total Required Local Contribution" piece, and to retain fixed percentages to be applied to "Additional Local Monies" piece, but to simply adjust the fixed percentages. In some ways, this might be the simplest change to understand. This occurred to me on the way home from the meeting, after listening to the comments of various board members. I can show examples of this if you wish.

I hope these thoughts provide further assistance to the board.

If you have any questions, or need any further assistance, please let me know.

Sincerely,

Bill

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Memorandum

RSU 5 Cost Sharing Formula: Evaluation and Consideration of Amendment

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Revised 12-14-17

TO: RSU 5 School Board

FROM: E. William Stockmeyer, Drummond Woodsum

RE: The RSU 5 Cost Sharing Formula: Evaluation and Consideration of Amendment

DATE: December 13, 2017

Under the RSU 5 Reorganization Plan (the “Plan”), the School Board has the legal authority to consider changes to the RSU 5 cost sharing formula. This memorandum explains the components of the current formula, the legal requirements to change the formula, how the RSU 5 cost sharing formula currently works, the considerations applicable to a “fair” formula, and how the current RSU 5 formula compares with school district cost sharing formulas based on valuation or student count.¹ Finally, the Memorandum provides a Worksheet to compare tax impacts of amendments the Board might wish to consider as compared to the current cost sharing formula. The goal of this Memorandum is to provide the RSU 5 Board with background information to assist the Board in its periodic evaluation of the cost sharing formula, as provided by the Plan, and whether a change should be made to the current formula.

PART 1: COMPONENTS OF THE RSU 5 COST SHARING FORMULA

The RSU 5 cost sharing formula applies to the portion of the Total Operating Budget and Adult Education Budget that remains after first deducting all other available revenues. The non-tax revenues, deducted first, are as follows:

- **State-Supported Debt.** The debt service on this debt is a portion of the subsidy provided by the State under its Essential Programs and Services funding model. This subsidy exists for certain state-approved school construction projects. Currently, the state-supported debt consists of debt on the Durham Elementary School that qualifies for State subsidy (*see* Maine DOE Form ED 279, sections 3.C and 4.A).

¹ Due to time constraints all table calculations are subject to final verification of the RSU 5 business office.

- **Other State Subsidy.** The State provides further subsidy through its Essential Programs and Services Funding model.² The subsidy amount appears on Maine DOE Form ED 279, including the debt service subsidy described previously.
- **Miscellaneous Revenues.** This includes various non-tax revenues from miscellaneous sources, and may also include some portion of the RSU's undesignated fund balance applied to the budget. These revenues reduce the local tax burden.

After deduction of the above revenues, the remaining costs of the Total Operating Budget and Adult Education Budget are funding by the RSU cost sharing formula. Pursuant to section 13-B of the Plan, the cost sharing formula consists of three different components, each of which requires local property taxes to be raised by RSU 5 members. The three components of the current cost sharing formula are described as follows:

- **Pre-Existing Debt Component.** Under the Plan, debt existing prior to formation of the RSU for facilities not shared by the members remained the responsibility of the town using the facility that had incurred that debt. Currently, there remains about \$200,000 in Durham Debt and \$170,000 in Freeport Debt. The formula requires these two towns contribute to pay that debt as it comes due without contribution from the other RSU 5 members. About 1/3 of the Durham debt will be retired in a year and 2/3 in 2030. The Freeport debt will be retired in 2021. Notably, a town's retirement of its non-shared debt will reduce that town's share of local costs without increasing the shares of the other towns – the debt will simply no longer exist. For purposes of this Memorandum, we have assumed that a cost sharing amendment, if any, would not change this non-shared debt component of the cost sharing formula.
- **The "Total Required Local Contribution" Component.** The Plan provides for each member to pay an amount equal to its most recent total state adjusted valuation multiplied

² The EPS model develops an amount, called the "total allocation," which the state deems to be the costs necessary to achieve desired learning outcomes. The total allocation amount in FY 2018 for RSU 5 is \$21,505,554, comprised of a state contribution and a local (meaning school district) contribution. Each RSU 5 town presumptively pays a portion of the total allocation, but not more than a maximum required effort. This happens by the following process. First, the state divides the total allocation of \$21,505,554 between the three towns based on their pupil count percentages. Each town presumptively must pay this portion of the total allocation, however, the state provides relief if the town would exceed a maximum required tax effort. The maximum required tax effort is the town's fiscal capacity (state adjusted valuation) times a statewide mill rate factor (8.19 mills in FY 2018). The most that the town must pay towards its portion of the total allocation is this "cap" amount with the state contributing the amount over the cap, if any, to RSU 5 as state subsidy on the town's behalf. The state subsidy amount paid to RSU 5 on each town's behalf, if any, is the balance of the town's portion of the total allocation. However, currently the amount the State contributes in excess of Freeport's tax effort for EPS is so low that the State also contributes an additional special education minimum receiver adjustment.

by the mill rate established by the State (in FY 2018, this mill rate was 8.19 mills).³ The Plan notes that a member's share of the "Total Required Local Contribution" may exceed its local cost share expectation to be paid under EPS. The Plan further notes that any amount of a town's share of the Total Required Local Contribution that exceeds the town's required contribution to the total cost of education under the EPS model "shall be for purposes of local cost sharing." In applying the cost sharing formula, the difference between the members' Total Required Local Contributions and their required contributions under the EPS model acts to reduce the Additional Local Money amount to be shared as described below. Thus, insofar as Freeport qualifies for a special education minimum receiver adjustment under the EPS funding model (*see* Form ED 279, section 5.A), Freeport effectively contributes a sum to be shared with the other towns, instead of enjoying all the benefit of that adjustment.

- Additional Local Money Component. The remaining portion of the Total Operating Budget and Adult Education Budget is funded by the third cost sharing component, called "Additional Local Money." The cost sharing formula requires Durham to pay 21.42%, Freeport to pay 65.98% and Pownal to pay 12.60% of the Additional Local Money. Under the current formula, these percentages are fixed. The percentages were derived by the Reorganization Planning Committee ("RPC") from the amounts the towns were contributing for additional funds without state participation in the "base year," i.e., the year prior the RSU's first operational year (*see* RPC FAQs at page 2, revised September 28, 2008). As noted previously, before these fixed percentages are applied, Durham and Pownal effectively receive the benefit of a credit by virtue of Freeport paying a higher amount as its share of Total Required Local Contribution than if Freeport enjoyed the sole benefit of its special education minimum receiver adjustment.

Importantly, and as described above, the RSU 5 cost sharing components differ from most formulas used in the State. Whereas RSU 5 uses fixed percentages to divide Additional Local Monies, and these percentages are based upon prior contribution amounts from a base year, the formulas commonly employed by other school districts in the State generally are based upon valuations, or based on some combination of valuations and pupil counts. Also, the formulas commonly used by other school districts in the State generally apply only to additional local funds. Only about 10 other school districts statewide employ local cost sharing formulas that also apply to the members' local contributions to EPS, effectively reallocating those contributions.

³ Notably, instead of relying upon the State's measure of valuation, called "fiscal capacity," which currently is a three year average of adjusted state valuations, the Plan uses the most recent state adjusted valuations to determine the members' shares of the Total Required Local Contribution. This means that RSU 5 administrators may not rely upon the fiscal capacity numbers in the ED 279, but must use the most recent state valuation figures to compute the shares. Valuations used in the Tables of this Memorandum, however, are based upon fiscal capacity, except for figures used in or applied from the current cost sharing formula.

PART 2: AMENDING THE RSU 5 COST SHARING FORMULA: PROCEDURES AND APPROACH

Section 13-B(C) of the Plan, “Changes to the Cost Sharing Method,” fixed the RSU 5 cost sharing method for the first three years’ of the RSU’s existence. Following that period, the Plan provides that the cost sharing formula “may be changed, but shall not be required to be changed.” The Plan establishes two possible procedures for RSU 5 to amend the cost sharing formula.

Under the first cost sharing amendment procedure, the RSU 5 School Board may implement the change by a majority board vote without submission to the voters, provided the board vote satisfies a special “quorum requirement” and a special “vote distribution requirement.” The “quorum requirement” is that at least one Board member from each municipality must be present at the meeting. In other words, a single town could block the proposed change if all its board members are absent from the meeting, even if it were approved by a majority at a meeting attended by a regular quorum. The “vote distribution” requirement is that “[b]oard members representing two-thirds or more of the RSU population must vote in favor of the change.”

Under the second cost sharing amendment procedure, a “simple majority of the RSU Board” may send a proposed change to an RSU 5 referendum vote. This procedure does not have any special quorum requirement or vote distribution requirement imposed on the board vote or on the referendum vote. The referendum election called by the School Board would require a “majority of voters in the RSU” to enact a cost sharing amendment.

PART 3: WHAT IS THE FAIR WAY FOR SCHOOL DISTRICT MEMBERS TO SHARE THE LOCAL TAX BURDEN?

People are likely to disagree about what is fair. That being said, a few observations are relevant to the discussion. These observations are based in part upon our general background experience across the state and in part upon a survey of our client files.

- First, the great majority of other RSUs and MSADs in the state apply their cost sharing formulas only to the additional local funds portion of the budget.
- Second, a majority of the other cost sharing formulas are based in whole upon state adjusted valuation percentages.
- Third, a significant minority of other cost sharing formulas use a combination of valuation percentages and pupil count percentages. In most cases, 50% or more is allocated by valuation and under 50% is allocated by pupil count.
- Fourth, to our knowledge, other RSUs and MSADs do not use pupil count percentages only.

- Fifth, it is highly unusual for an RSU or MSAD to use a factor other than valuation or pupil count.
- Sixth, in changing a cost sharing formula, there are various methods to phase in the change to reduce the immediate impact.

The argument in favor of using property valuation is that, as a general principle, property taxes should be assessed in proportion to property valuation throughout a taxing district. Proportionate taxation is generally required by the Maine constitution, subject to certain express exceptions such as tree growth property, farm and open space property, and school district cost sharing methods. In a school district, the taxing district is the school district, not the individual towns. There is a shared school system, and the taxes are raised by vote of the whole district, not by separate town votes. Under this view, the role of the towns is to simply collect and to pay over the school district taxes so as to avoid the need for a separate, school district tax collection system. Proportional taxation means that two restaurants of the same property valuation should be taxed the same wherever they may be located in the taxing district. Under this view, the students are considered students of the district, rather than students of the towns, since they attend a district school system.

The argument for using pupil count is a more practical one. In some places, high valuation/low pupil count towns could not easily be encouraged to join school districts with low valuation/high pupil counts. By introducing a pupil count factor in the local cost sharing formula in addition to valuation, it was found that these towns with these differences might be encouraged to form school districts. Under this view, each town's obligation to support the schools depends on its number of students, as if it had a separate school system and a separate system of taxation for its schools. When pupil counts are used, property taxation ceases to be proportionate throughout the school district. A restaurant in one town may be taxed differently than a restaurant with the same valuation in another town, even though both restaurants support the same school system.

[End of Part 3; remainder of page intentionally left blank]

PART 4: WHAT WOULD BE THE ECONOMIC IMPACT OF CHANGING THE METHOD OF SHARING COSTS TO (a) A METHOD BASED ON VALUATION AND/OR PUPIL COUNT FACTORS OR (b) A METHOD THAT CONTINUES TO USE THE TOTAL REQUIRED LOCAL CONTRIBUTION WHILE ADOPTING VALUATION AND/OR PUPIL COUNT FACTORS INSTEAD OF FIXED PERCENTAGES FOR THE “ADDITIONAL LOCAL MONIES”?

In RSU 5, the valuation (fiscal capacity) and pupil count percentages are as follows:

TABLE 1: COMPARING VALUATION, PUPIL COUNT, AND ADDITIONAL LOCAL MONEY (ALM) PERCENTAGES, FY 2017 AND FY 2018

Town	2017			2018		
	Valuation %	Pupil %	ALM %	Valuation %	Pupil %	ALM %
Durham	18.36%	31.53%	21.42%	18.03%	31.66%	21.42%
Freeport	71.37%	58.47%	65.98%	71.22%	58.02%	65.98%
Pownal	10.27%	10.00%	12.60%	10.75%	10.32%	12.60%

Note: Table uses state adjusted valuations.

Table 1 shows that:

- Durham has a low valuation (18%) relative to its pupil count (32%). A formula weighted towards valuation reduces Durham’s relative costs, while a formula weighted towards pupil counts increases them.
- Freeport has high valuation (71%) relative to its pupil count (58%). A formula weighted towards valuation increases Freeport’s relative costs, while a formula weighted towards pupil count decreases them. Adjustments will not have as great an effect as in Durham.
- Pownal’s valuation is about the same relative to its pupil count. Its share is relatively constant whether a formula is weighted towards either valuation or pupil count.

Table 1 further shows that:

- Durham’s current, fixed, ALM percentage is between its valuation and pupil count percentages, but closer to its valuation percentage.
- Freeport’s current, fixed, ALM percentage is close to midway between its valuation and pupil count percentages.
- Pownal’s current, fixed, ALM percentage is higher than either its valuation percentage or its pupil count percentage.

The following Tables compare the existing formula with alternatives. Table 2 compares the existing formula with models that use the ED 279 contributions instead of the current formula’s calculation of “Total Required Local Contribution,” and then apply various valuation and/or pupil count methodologies to the additional local funds component (instead of to the current formula’s “Additional Local Money”). Table 3 compares the existing formula with models that retain the current formula’s calculation of “Total Required Local Contribution,” and then apply various valuation and/or pupil count methodologies to “Additional Local Money.”

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Table 2: RSU 5 Cost Sharing Formula Compared to Various Models Based on Valuation and/or Pupil Count

Current Cost Sharing Formula (FY 2018)					
Municipality	Local Non-Shared Debt	"Plan Required Local Contribution"	"Additional Local Monies"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$1,826,251	\$4,957,199	\$4,754,417
Freeport	\$169,708	\$11,560,225	\$5,625,399	\$17,355,332	\$17,185,624
Pownal	\$0	\$1,745,183	\$1,074,265	\$2,819,449	\$2,819,449

100% Valuation Model, Applied to Addl Local Funds (Widely used in Maine)					
Municipality	Local Non-Shared Debt	"ED 279 Adjusted Local Contribution"	"Additional Local Funds"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,892,845	\$1,641,171	\$4,736,798	\$4,534,016
Freeport	\$169,708	\$11,040,066	\$6,482,763	\$17,692,537	\$17,522,829
Pownal	\$0	\$1,724,131	\$978,513	\$2,702,644	\$2,702,644

75:25 Valuation:Pupil Count Model, Applied to Addl Local Funds					
Municipality	Local Non-Shared Debt	"ED 279 Adjusted Local Contribution"	"Additional Local Funds"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,892,845	\$1,951,565	\$5,047,192	\$4,844,410
Freeport	\$169,708	\$11,040,066	\$6,182,383	\$17,392,157	\$17,222,449
Pownal	\$0	\$1,724,131	\$968,500	\$2,692,631	\$2,692,631

50:50 Valuation:Pupil Count Model, Applied to Addl Local Funds					
Municipality	Local Non-Shared Debt	"ED 279 Adjusted Local Contribution"	"Additional Local Funds"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,892,845	\$2,261,958	\$5,357,585	\$5,154,803
Freeport	\$169,708	\$11,040,066	\$5,882,002	\$17,091,776	\$16,922,068
Pownal	\$0	\$1,724,131	\$958,488	\$2,682,619	\$2,682,619

25:75 Valuation:Pupil Count Model, Applied to Addl Local Funds					
Municipality	Local Non-Shared Debt	"ED 279 Adjusted Local Contribution"	"Additional Local Funds"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,892,845	\$2,571,442	\$5,667,069	\$5,464,287
Freeport	\$169,708	\$11,040,066	\$5,581,621	\$16,791,395	\$16,621,687
Pownal	\$0	\$1,724,131	\$949,385	\$2,673,516	\$2,673,516

100% Pupil Count Model, Applied to Addl Local Funds					
Municipality	Local Non-Shared Debt	"ED 279 Adjusted Local Contribution"	"Additional Local Funds"	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,892,845	\$2,881,835	\$5,977,462	\$5,774,680
Freeport	\$169,708	\$11,040,066	\$5,281,240	\$16,491,014	\$16,321,306
Pownal	\$0	\$1,724,131	\$939,373	\$2,663,504	\$2,663,504

Table 3: RSU 5 Cost Sharing Formula Compared to Models That Retain the “Total Required Local Contribution” Component and Adjust Only the “Additional Local Money” Component

Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money: Durham 21.42%; Freeport 65.98%; Pownal 12.60%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$1,826,251	\$4,957,199	\$4,754,417
Freeport	\$169,708	\$11,560,225	\$5,625,399	\$17,355,332	\$17,185,624
Pownal	\$0	\$1,745,183	\$1,074,265	\$2,819,449	\$2,819,449

Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money Using Valuation: Durham 18.03%; Freeport 71.22%; Pownal 10.75%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$1,537,223	\$4,668,171	\$4,465,389
Freeport	\$169,708	\$11,560,225	\$6,072,157	\$17,802,090	\$17,632,382
Pownal	\$0	\$1,745,183	\$916,536	\$2,661,719	\$2,661,719

Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money Using 75% Valuation/25% Pupil Count: Durham 21.44%; Freeport 67.92%; Pownal 10.64%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$1,827,956	\$4,958,904	\$4,756,122
Freeport	\$169,708	\$11,560,225	\$5,790,802	\$17,520,735	\$17,351,027
Pownal	\$0	\$1,745,183	\$907,157	\$2,652,340	\$2,652,340

Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money Using 50% Valuation/50% Pupil Count: Durham 24.85%; Freeport 64.62%; Pownal 10.53%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$2,118,690	\$5,249,638	\$5,046,856
Freeport	\$169,708	\$11,560,225	\$5,509,447	\$17,239,380	\$17,069,672
Pownal	\$0	\$1,745,183	\$897,778	\$2,642,962	\$2,642,962

Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money Using 25% Valuation/75% Pupil Count: Durham 28.25%; Freeport 61.32%; Pownal 10.43%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$2,408,571	\$5,539,519	\$5,336,737
Freeport	\$169,708	\$11,560,225	\$5,228,092	\$16,958,025	\$16,788,317
Pownal	\$0	\$1,745,183	\$889,253	\$2,634,436	\$2,634,436

Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)					
→ Addl Local Money Using Pupil Count: Durham 31.66%; Freeport 58.02%; Pownal 10.32%					
Municipality	Local Non-Shared Debt	“Plan Required Local Contribution”	“Additional Local Monies”	TOTAL BY MUNICIPALITY	Adjusted Totals (if debt were retired)
Durham	\$202,782	\$2,928,166	\$2,699,305	\$5,830,253	\$5,627,471
Freeport	\$169,708	\$11,560,225	\$4,946,736	\$16,676,669	\$16,506,961
Pownal	\$0	\$1,745,183	\$879,875	\$2,625,058	\$2,625,058

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TABLE 4: WORKSHEET TO CALCULATE TAX IMPACTS OF SELECTED AMENDMENTS AS COMPARED TO CURRENT RSU 5 COST SHARING FORMULA

Amendment A

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

Amendment B

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

Amendment C

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

NOTE: Phase-in options exist, such as:

- 3 Year phase-in: Year 1, 1/3 current formula, 2/3 new formula; Year 2, 2/3 current, 1/3 new; Year 3, all new formula
- 5 Year phase-in: same idea: 20%/ 40%/ 60%/ 80 %/ 100%

NOTE: The above impacts have not been adjusted to account for shifts when pre-existing debt is paid off in Freeport (in 2021) and in Durham (about 1/3 next year and 2/3 in 2030). Increases in those two towns under a selected amendment would be offset when debt is retired.

EXAMPLES OF TAX IMPACTS OF SELECTED AMENDMENTS AS COMPARED TO CURRENT RSU 5 COST SHARING FORMULA

Amendment A: From Memorandum, Table 2-100% valuation (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 2-100% valuation (with debt)	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$4,736,798	(\$220,401)	(0.624 mills)	(\$62.40)	(4.45%)
Freeport	\$17,355,332	\$17,692,537	\$337,205	0.242 mills	\$24.18	1.94%
Pownal	\$2,819,449	\$2,702,644	(\$116,805)	(0.555 mills)	(\$55.48)	(4.14%)

Amendment B: From Memorandum, Table 3-75% valuation/25% pupil count (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 3-75% valuation/25% pupil count	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$4,958,904	\$1,705 (nil)	0.005 mills	\$00.48	0.03% (nil)
Freeport	\$17,355,332	\$17,520,735	\$165,403	0.119 mills	\$11.86	0.95%
Pownal	\$2,819,449	\$2,652,340	(\$167,109)	(0.794) mills	(\$79.38)	(5.93%)

Amendment C: From Memorandum, Table 3-50% valuation/50% pupil count (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 3-50% valuation/50% Pupil count	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home (or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$5,249,638	\$292,439	0.828 mills	\$82.79	5.90%
Freeport	\$17,355,332	\$17,239,380	(\$115,952)	(0.083 mills)	(\$8.31)	(0.67%)
Pownal	\$2,819,449	\$2,642,962	(\$176,487)	(0.838 mills)	(\$83.84)	(6.26%)

NOTE: Phase-in options exist, such as:

- 3 Year phase-in: Year 1, 1/3 current formula, 2/3 new formula; Year 2, 2/3 current, 1/3 new; Year 3, all new formula
- 5 Year phase-in: same idea: 20%/ 40%/ 60%/ 80 %/ 100%

NOTE: The above impacts have not been adjusted to reflect shifts when pre-existing debt is paid off in Freeport (in 2021) and in Durham (about 1/3 next year and 2/3 in 2030). Increases in those two towns under a selected amendment would be offset when this debt is retired.

RSU5 2017-2018 BOARD OF DIRECTORS' ADOPTED BUDGET IMPACT
With additional subsidy

	Assessed 2016-2017	Proposed 2017-2018	Difference	
<u>RSU Operating Budget</u>				
Total Operating Budget	\$ 30,908,672	\$ 32,207,685	\$ 1,299,013	
Adult Education Budget	\$ 100,000	\$ 103,000	\$ 3,000	
Total RSU Operating Budget w/Adult Ed	\$ 31,008,672	\$ 32,310,685	\$ 1,302,013	4.20%
<u>Less: State and Non-Shared Debt</u>				
F-Non-Shared Local Debt	\$ 176,207	\$ 169,708	\$ (6,499)	
D- State Supported Debt	\$ 1,331,957	\$ 1,313,563	\$ (18,394)	
D-Non-Shared Local Debt	\$ 206,547	\$ 202,782	\$ (3,765)	
Total State and Non-Shared Debt	\$ 1,714,711	\$ 1,686,053	\$ (28,658)	
<u>Less: Local Revenues</u>				
Shared Revenue*	\$ 1,100,391	\$ 1,330,192	\$ 229,801	
State Aid**	\$ 4,578,301	\$ 4,534,949	\$ (43,352)	
Total Revenues	\$ 5,678,692	\$ 5,865,141	\$ 186,449	
<u>Less: RSU Plan Required Local Contribu</u>	\$ 15,830,728	\$ 16,233,574	\$ 402,846	
Total Additional Local Monies Required*	\$ 7,784,541	\$ 8,525,916	\$ 741,375	
Net Impact to Taxation Districtwide	\$ 23,615,269	\$ 24,759,491	\$ 1,144,222	4.85%
<u>Additional Local Monies Required Distribution Per RSU Plan</u>				
Durham 21.42%	\$ 1,667,449	\$ 1,826,251	\$ 158,803	
Freeport 65.98%	\$ 5,136,240	\$ 5,625,399	\$ 489,159	
Pownal 12.60%	\$ 980,852	\$ 1,074,265	\$ 93,413	
Total Additional Local Monies Required	\$ 7,784,541	\$ 8,525,916	\$ 741,375	

*Shared Revenue		
Town of Freeport Hunter Road Field Maintenance		\$87,291
State Agency		\$32,000
Medicaid		\$5,000
Misc / Interest		\$19,900
Laugh & Learn		\$10,200
Contingency		\$214,541
Undesignated Fund Balance		\$961,260
Total Shared Revenue		\$1,330,192

RSU5 2017-2018 BOARD OF DIRECTORS' ADOPTED BUDGET IMPACT
With additional subsidy

	Assessed 2016-2017	Proposed 2017-2018	Difference
<u>Additional Local Monies Required Distribution Per RSU Plan</u>			
Durham 21.42%	\$ 1,667,449	\$ 1,826,251	\$ 158,803
Freeport 65.98%	\$ 5,136,240	\$ 5,625,399	\$ 489,159
Pownal 12.60%	\$ 980,852	\$ 1,074,265	\$ 93,413
Total Additional Local Monies Required	\$ 7,784,541	\$ 8,525,916	\$ 741,375

Durham

RSU Plan Additional Local Monies	\$ 1,667,449	\$ 1,826,251	\$ 158,803
RSU Plan Required Local Contribution	\$ 2,906,937	\$ 2,928,166	\$ 21,230
Non Shared Debt	\$ 206,547	\$ 202,782	\$ (3,765)
Net Impact	\$ 4,780,932	\$ 4,957,199	\$ 176,267

Estimated Impact based on 2016 Mil of \$18.80 and a taxable valuation of \$341,804,200* **\$0.52 2.74%**

Freeport

RSU Plan Additional Local Monies	\$ 5,136,240	\$ 5,625,399	\$ 489,159
RSU Plan Required Local Contribution	\$ 11,297,960	\$ 11,560,225	\$ 262,265
Non Shared Debt	\$ 176,207	\$ 169,708	\$ (6,499)
Net Impact	\$ 16,610,407	\$ 17,355,332	\$ 744,925

Estimated Impact based on 2016 Mil of \$15.80 and a taxable valuation of \$1,462,386,520* **\$0.51 3.22%**

Pownal

RSU Plan Additional Local Monies	\$ 980,852	\$ 1,074,265	\$ 93,413
RSU Plan Required Local Contribution	\$ 1,625,832	\$ 1,745,183	\$ 119,352
Non Shared Debt	\$ -	\$ -	\$ -
Net Impact	\$ 2,606,684	\$ 2,819,449	\$ 212,765

Estimated Impact based on 2016 Mil of \$16.50 and a taxable valuation of \$233,736,000* **\$0.91 5.52%**

*April 1, 2017 valuations and mil rates are not known at this time. Actual impact will be determined when taxes are committed in each town.

13-A. Plans to reorganize administration, transportation, building and maintenance and special education.

The analysis of the reorganization that has been conducted does not provide any clear assurances of immediate savings. This is due in part to immediate start up costs associated with forming the RSU (costs for audits, merging of systems, legal fees) as well as increases in personnel that might be necessary.

The RSU is unique in that it merges one municipal system, one single-town SAD and one town of a two-town School Union. There are no full time system administrators in either the SAD (Pownal) or Durham.

For example, where three towns joining together might have three Superintendents, three Business Managers, three Special Education Directors, and three Transportation Directors, this RSU has 1.8, 1.4, 1.3 and .5 respectively.

Arguably, the largest cost saving in a merger initially is downsizing personnel and associated benefits. There is a possibility the new RSU Board may find it needs to create new staff positions to be certain these areas receive the necessary oversight, coordination, and review so they are in compliance with all mandates that apply. The costs are not known, nor is it known if the new RSU Board will or will not create new positions. We cannot bind future RSU Boards to positions and associated costs. Therefore, all numbers associated with future positions are speculative in nature, if not conjecture.

13-B. Cost Sharing in the RSU

A. Definition of Terms

Additional Local Money shall mean Total RSU Spending Budget minus Total Outside Contribution to the RSU minus Total Required Local Contribution, each as defined below.

Total RSU Spending Budget shall consist of all monies budgeted to be spent by the RSU in a given year, minus principal and interest payments on State-participating debt

Total Outside Contribution to the RSU shall consist of all revenues received by the RSU from sources other than municipal tax revenues for a given year,

minus an amount equal to principal and interest payments on State-participating debt.

Total Required Local Contribution shall be the member municipalities' most recent total state valuation multiplied by the Applicable Mill Rate. The Total Local Required Contribution for a member municipality may exceed the member municipality's local cost share expectation under the Essential Programs and Services provisions (Title 20-A, Chapter 606-B) of the Maine Revised Statutes. Notwithstanding anything to the contrary in this Plan, however, each municipality's required contribution to the "total cost of education," as defined in Title 20-A, Section 15688 shall be the amount established by Section 15688(3-A), or successor provisions of state law, and any additional amount required hereunder shall be for purposes of local cost sharing.

Applicable Mill Rate The Applicable Mill Rate shall equal the Full-Value Mill Rate, as defined under 20-A M.R.S.A. § 15671-A or any successor statute. Should the State cease calculating a Full-Value Mill Rate, the Applicable Mill Rate shall be the prior year's Applicable Mill Rate. The Applicable Mill Rate shall be identical for all member municipalities in any single year. If the Full-Value Mill Rate is higher than the amount required to support the Total RSU Spending Budget, the Applicable Mill Rate shall be reduced accordingly.

B. Cost Sharing

Member municipalities shall pay the following shares of each year's total Additional Local Money for the RSU:

Durham:	21.42%
Freeport:	65.98%
Pownal:	12.60%

In addition to its obligation to pay its share of Additional Local Money, each member municipality must pay to the RSU its Total Required Local Contribution (as defined above), and a member municipality whose Pre-Existing Debt (or any portion thereof) is Non-RSU Debt must further pay to the RSU the total for that year of debt service for any such Non-RSU Debt Service payable by the RSU as fiscal agent under Section 6.B of this Plan

C. Changes to the Cost Sharing Method

The Cost Sharing Method shall not be changed for the first three years. Following that transition period, the Cost Sharing Method may be changed, but shall not be required to be changed:

1. By a vote of the RSU Board meeting the following criteria:
 - at least one Board member from each member municipality must be present; and
 - Board members representing two-thirds or more of the RSU population must vote in favor of the change; or
2. Upon a vote of a simple majority of the RSU Board, proposal for a change to the Cost Sharing Method may be put out to referendum for amendment in accordance with Section 14.

D. Non-Exclusive Criteria for Changing the Cost-Sharing Method

In the exercise of its discretion to determine any change to the cost-sharing formula to be used at any time following the transition period, the RSU Board shall consider all factors it deems relevant, but must consider the following criteria:

1. the fairness of the cost-sharing method in light of at least the following factors:
 - relative state valuations, representing each member municipality's ability to raise revenue;
 - relative populations, representing each member municipality's board representation in the budgeting process; and
 - student headcounts, representing each member municipality's student usage of RSU facilities and programs;
2. the effect of the cost-sharing method on the RSU's ability to raise sufficient funds to sustain educational programs deemed to be in the best interests of RSU students;
3. clarity of the method, including ease with which the public can understand the method, ease of administration and implementation of the method, and avoidance of uncertainty over the method's application;
4. consistency of the method with the operation of the RSU as a single, cohesive entity;

5. effect of the method on stability of RSU revenue streams and local taxpayer obligations.

13-C. Election of initial board of directors.

The RSU Board shall be composed of eleven (11) members. Each municipality in the RSU shall elect the following number of its residents to serve on the Board.

Municipality	Population	# of Board Members
Freeport	8,151	6
Durham	4,075	3
Pownal (M.S.A.D. No. 62)	1,596	2

Each Board member shall serve a 3-year term, except that the initial terms of the members of the first RSU Board shall be staggered. Since each municipality of the RSU has annual elections, lots will be drawn for the length of term specified as follows:

- A. Municipalities with annual elections. In municipalities with annual elections, 1/3 of the directors serve one-year terms, 1/3 of the directors serve 2-year terms and 1/3 of the directors serve 3-year terms. If the number of directors is not evenly divisible by 3, the first remaining director serves a 3-year term and the 2nd remaining director serves a 2-year term.

The directors shall serve their terms as determined at the organization meeting and an additional period until the next regional election of the municipalities. Thereafter, the directors' terms of office are as established in accordance with the provisions of Title 20-A Section 1471.

13-D. Tuition Contracts and Assignment of Tuition Students

1. Tuition Contracts

The following SAUs offer some or all of their students limited tuition opportunities of which school to attend according to the following terms:

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Section : 1

Section 1: Computation of EPS Rates

A) Attending Counts:

	PreK-5	6-8		PreK-8	9-12	Total
1) Attending Pupils (April 2016)	924.0 +	441.0	=	1,365.0 +	491.0	1,856.0
2) Attending Pupils (October 2016)	911.0 +	458.0	=	1,369.0 +	511.0	1,880.0
3) Average Pupils Calendar Year Average	917.5 +	449.5	=	1,367.0 +	501.0	1,868.0
				73 %	27 %	100 %

B) Staff Positions

	PreK-5 EPS FTE	Student to Staff	+	6-8 EPS FTE	Student to Staff	+	9-12 EPS FTE	Student to Staff	=	EPS FTE Total	+	Actual FTE Total	=	% Of EPS	x	SAU Data In EPS Matrix	=	Adjusted EPS Salary	=	Elementary Salary	Secondary Salary
1) Teachers	54.0	(17:1) +		26.4	(17:1) +		31.3	(16:1) =		111.7 +		139.6 =		0.80	x	7,317,189 =		5,853,751 =		4,284,946	1,568,805
2) Guidance	2.6	(350:1) +		1.3	(350:1) +		2.0	(250:1) =		5.9 +		7.8 =		0.76	x	433,449 =		329,421 =		241,136	88,285
3) Librarians	1.1	(800:1) +		0.6	(800:1) +		0.6	(800:1) =		2.3 +		4.9 =		0.47	x	273,924 =		128,744 =		94,241	34,503
4) Health	1.1	(800:1) +		0.6	(800:1) +		0.6	(800:1) =		2.3 +		5.5 =		0.42	x	317,506 =		133,353 =		97,614	35,739
5) Education Techs	8.0	(114:1) +		1.4	(312:1) +		1.6	(316:1) =		11.0 +		15.2 =		0.72	x	290,409 =		209,094 =		153,057	56,037
6) Library Techs	1.8	(500:1) +		0.9	(500:1) +		1.0	(500:1) =		3.7 +		2.5 =		1.48	x	52,487 =		77,681 =		56,862	20,819
7) Clerical	4.6	(200:1) +		2.2	(200:1) +		2.5	(200:1) =		9.3 +		12.4 =		0.75	x	412,134 =		309,101 =		226,262	82,839
8) School Admin.	3.0	(305:1) +		1.5	(305:1) +		1.6	(315:1) =		6.1 +		8.8 =		0.69	x	720,689 =		497,275 =		364,005	133,270

C) Computation of Benefits:

	Percentage		Elementary Salary	Secondary Salary		Elementary Benefits	Secondary Benefits
1) Teachers, Guidance, Librarians & Health	19.00%	X	4,717,937	1,727,332	=	896,408	328,193
2) Education & Library Technicians	36.00%	X	209,919	76,856	=	75,571	27,668
3) Clerical	29.00%	X	226,262	82,839	=	65,616	24,023
4) School Administrators	14.00%	X	364,005	133,270	=	50,961	18,658

D) Other Support Per-Pupil Costs:

	PreK-8	9-12		Elementary Students	Secondary Students		Elementary Support	Secondary Support
1) Substitute Teachers (1/2 Day)	42	42 X		1,367.0	501.0	=	57,414	21,042
2) Supplies and Equipment	373	514 X		1,367.0	501.0	=	509,891	257,514
3) Professional Development	64	64 X		1,367.0	501.0	=	87,488	32,064
4) Instructional Leadership Support	28	28 X		1,367.0	501.0	=	38,276	14,028
5) Co- and Extra-Curricular Student	39	123 X		1,367.0	501.0	=	53,313	61,623
6) System Administration/Support	135	135 X		1,367.0	501.0	=	184,545	67,635
7) Operations & Maintenance	1089	1294 X		1,367.0	501.0	=	1,488,663	648,294

E) Other Adjustments:

1) Regional Adjustment for Staff & Substitute Salaries	Regional Index =	1.08					446,043	163,307
Section 1: Totals							9,472,312	3,684,346
Divided by Attending Pupils:							1,367.0	501.0
Calculated EPS Rates Per Pupil:							6,929	7,354

Preliminary Enacted Per PL2017Ch284PartC – Adjustments will be made to these printouts throughout FY 18

STATE CALCULATION FOR FUNDING PUBLIC EDUCATION (PreK-12) REPORT

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Section : 2

Section 2: Operating Cost Allocations

A) Subsidizable Pupils (Includes Superintendent Transfers)		4YO/PreK		K-8		9-12		Total
1)	April 2014	28.0	+	1,314.0	+	540.0	=	1,862.0
2)	October 2014	37.0	+	1,307.0	+	513.0	=	1,857.0
3)	April 2015	37.0	+	1,311.0	+	508.0	=	1,856.0
4)	October 2015	59.0	+	1,297.0	+	495.0	=	1,851.0
5)	April 2016	61.0	+	1,300.0	+	501.0	=	1,862.0
6)	October 2016	63.0	+	1,305.0	+	514.0	=	1,882.0

B) Basic Counts		Ave. Calendar Year Pupils		SAU EPS Rates from Page 1		Basic Cost Allocations
1)	4YO/PreK Pupils (Oct only)	63.0	X	6,929	=	436,527.00
2)	K-8 Pupils	1,302.5	X	6,929	=	9,025,022.50
3)	9-12 Pupils	507.5	X	7,354	=	3,732,195.00
4)	Adult Education Courses at .1	0.7	X	7,354	=	5,147.80
5)	4YO/PreK Equiv. Instruction Pupils (Oct only)	0.000	X	6,929	=	0.00
6)	K-8 Equiv. Instruction Pupils	1.250	X	6,929	=	8,661.25
7)	9-12 Equiv. Instruction Pupils	1.000	X	7,354	=	7,354.00

C) Weighted Counts		(Oct only)	Pupils	EPS Weights		SAU EPS Rates from Page 1		Weighted Cost Allocations	
1)	4YO/PreK Disadvantaged @	0.2346	14.8	X	0.20	X	6,929	=	20,509.84
2)	K-8 Disadvantaged @	0.2346	305.6	X	0.20	X	6,929	=	423,500.48
3)	9-12 Disadvantaged @	0.2346	119.1	X	0.20	X	7,354	=	178,172.28
4)	4YO/PreK Limited English Prof.		0.0	X	0.500	X	6,929	=	0.00
5)	K-8 Limited English Prof.		15.0	X	0.500	X	6,929	=	51,967.50
6)	9-12 Limited English Prof.		6.0	X	0.500	X	7,354	=	22,062.00

D) Targeted Funds		Pupils	EPS Weights		EPS Targeted Amount		Targeted Cost Allocations
1)	4YO/PreK Student Assessment (Oct only)	63.0	X		48.00	=	3,024.00
2)	K-8 Student Assessment	1,302.5	X		48.00	=	62,520.00
3)	9-12 Student Assessment	507.5	X		48.00	=	24,360.00
4)	4YO/PreK Technology Resources (Oct only)	63.0	X		106.00	=	6,678.00
5)	K-8 Technology Resources	1,302.5	X		106.00	=	138,065.00
6)	9-12 Technology Resources	507.5	X		318.00	=	161,385.00
7)	4YO/PreK Pupils (Oct only)	63.0	X	0.10	6,929	=	43,652.70
8)	K-2 Pupils	404.0	X	0.10	6,929	=	279,931.60

E) Isolated Small School Adjustment						
1)	PreK-8 Small School Adjustment					0.00
2)	9-12 Small School Adjustment					0.00

Section 2: Operating Allocation Totals						
Percentage of EPS Transition Amount:			X			97.00%
Adjusted Total Operating Allocation Amount						14,188,865.07

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Section 3: Other Allocations

Section : 3

A) Other Subsidizable Costs

		Base Year Expenditure		Inflation Adjustment		
1)	Gifted & Talented Expenditures from 2015 - 2016	213,922.95	X	101.50%	=	217,131.79
2)	Career & Technical Education Expenditures from 2015 - 2016	495,481.50	X	101.50%	=	502,913.72
3)	Special Education - EPS Allocation		X		=	3,527,137.98
4)	Transportation Operating - EPS Allocation		X		=	1,176,547.55
5)	Approved Bus Allocation		X		=	0.00
Total Other Subsidizable Costs						= 5,423,731.04

B) Teacher Retirement Amount (Normalized Cost)

579,395.06

Total Adjusted Operating Allocation (Page 2) plus Total other Subsidizable Costs plus Teacher Retirement = 20,191,991.17

C) Debt Service Allocations

1)	Town / District	Payment Date	Name of Project	Principal		Interest		Total
	DURHAM	11/01/2017	DURHAM NEW PREK-8 SCHOOL	886,467.00	+	218,146.23	=	1,104,613.23
		05/01/2018	DURHAM NEW PREK-8 SCHOOL	0.00	+	208,949.14	=	208,949.14
2)	Total Debt Service Principal & Interest Payments			886,467.00		427,095.37		1,313,562.37
3)	Approved Lease for 2016 - 17		RSU 05					0.00
4)	Approved Lease Purchase for 2016 - 17 for		RSU 05					0.00

Total Debt Service Allocation = 1,313,562.37
= 21,505,553.54

Section 3 : Total Combined Allocations (Page 2 Adjusted Total plus Other Subsidizable plus Debt Service)

Preliminary Enacted Per PL2017Ch284PartC – Adjustments will be made to these printouts throughout FY 18

STATE CALCULATION FOR FUNDING PUBLIC EDUCATION (Pre-K-12) REPORT

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2017 - 2018

Section : 4

Section 4 : Calculation of Required Local Contribution - Mill Expectation

A) Subsidizable Pupils (Excludes Superintendent Transfers for SADs, RSUs & CSDs) by Member Municipality

Member Municipality	Average Calendar Year Subsidizable Pupils	Percentage of Total Pupils	Oper., Othr Sub, & Tchr. Ret. Allocation Distribution	Municipal Debt Allocation Distribution	Total Municipal Allocation Distribution as a Percentage of Pupils
Durham	389.0	31.66%	6,392,784.40 +	1,313,562.37 =	7,706,346.77
Freeport	1079.5	58.02%	11,715,393.28 +	0.00 =	11,715,393.28
Pownal	192.0	10.32%	2,083,813.49 +	0.00 =	2,083,813.49
Total	1,660.5	100.00%	20,191,991.17	1,313,562.37	21,505,553.54

B) State Valuation by Member Municipality

Member Municipality	2014 / 2015 / 2016 Average State Valuation	Mill Expectation	Total Municipal Allocation Distribution per Valuation x Mill Expectation
Durham	353,216,667	8.19	2,892,844.50
Freeport	1,394,700,000	8.19	11,422,593.00
Pownal	210,941,867	8.19	1,724,131.50
Total	1,958,438,334		16,039,569.00

C) Required Local Contribution = the lesser of the previous two calculations :

Member Municipality	Total Allocation by Municipality	Required Local Contribution by Municipality	Calculated Mill Rate	State Contribution by Municipality (Prior to adjustments)
Durham	7,706,346.77	2,892,844.50	8.19	4,813,502.27
Freeport	11,715,393.28	11,422,593.00	8.19	292,800.28
Pownal	2,083,813.49	1,724,131.50	8.19	359,681.99
Total	21,505,553.54	16,039,569.00		5,465,984.54

Preliminary Enacted Per PL2017Ch284PartC – Adjustments will be made to these printouts throughout FY 18

STATE CALCULATION FOR FUNDING PUBLIC EDUCATION (PreK-12) REPORT

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RSU 05

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Section : 5

Section 5: Totals and Adjustments

	Total Allocation	Local Contribution	State Contribution
A) Total Allocation, Local Contribution, and State Contribution	21,505,553.54	16,039,569.00	5,465,984.54
4) Minimum Special Education Adj. for Towns in a RSU		-382,527.00	382,527.00
Totals after adjustment to Local and State Contributions	21,505,553.54	15,657,042.00	5,848,511.54
B) Other Adjustments to State Contribution			
1) Plus Audit Adjustments			0.00
2) Less Audit Adjustments			0.00
3) Less Adjustment for Unappropriated Local Contribution			0.00
4) Less Adjustment for Unallocated Balance In Excess of 3%			0.00
5) Plus Long-Term Drug Treatment Centers Adjustment			0.00
6) Regionalization and efficiency assistance			0.00
7) Bus Refurbishing Adjustment			0.00
8) Less MaineCare Seed - Private			(9,260.19)
9) Less MaineCare Seed - Public			0.00
Adjusted State Contribution	21,505,553.54	15,657,042.00	5,839,251.35
Local and State Percentages Prior to Adjustments :	Local Share % = 74.58 %	State Share % = 25.42 %	
Local and State Percentages After Adjustments :	Local Share % = 72.85 %	State Share % = 27.15 %	
FY1 : 100% EPS Allocation	21,944,384.42		

Section F: Adjusted Local Contribution by Town

***** WARRANT ARTICLE *****

Member Municipality	Min. Spec. Ed. RSU Towns Adj.Sec.5 Line A4	Total Allocation	Adjusted Local Contribution	Adjusted Percentage	Adjusted Mill Rate
Durham	0.00	7,706,346.77	2,892,844.50	18.48%	8.19
Freeport	382,527.00	11,715,393.28	11,040,066.00	70.51%	7.92
Pownal	0.00	2,083,813.49	1,724,131.50	11.01%	8.19
Totals	382,527.00	21,505,553.54	15,657,042.00	100.00%	

Preliminary Enacted Per PL2017Ch284PartC – Adjustments will be made to these printouts throughout FY 18

STATE CALCULATION FOR FUNDING PUBLIC EDUCATION (PL2017-12) REPORT

ORG ID : 3158

RSU 05

2017 - 2018

Section : 6

Section 6: SCHEDULED PAYMENTS & YEAR TO DATE PAYMENTS

MONTH	SUBSIDY	PAID TO DATE	DEBT SERVICE	PAID TO DATE
July	377,140.75	377,140.75	0.00	0.00
August	377,140.75	377,140.75	0.00	0.00
September	377,140.75	377,140.75	0.00	0.00
October	377,140.75	377,140.75	0.00	0.00
November	377,140.75	377,140.75	1,104,613.23	1,104,613.23
December	377,140.75	0.00	0.00	0.00
January	377,140.75	0.00	0.00	0.00
February	377,140.75	0.00	0.00	0.00
March	377,140.75	0.00	0.00	0.00
April	377,140.75	0.00	0.00	0.00
May	377,140.75	0.00	208,949.14	0.00
June	377,140.73	0.00	0.00	0.00
TOTAL	4,525,688.98	1,885,783.75	1,313,562.37	1,104,613.23

Preliminary Enacted Per PL2017Ch284PartC – Adjustments will be made to these printouts throughout FY 18

FAQ's

1. Where will the funding come from to pay for the costs of running the RSU?
 - a. Funding to cover the costs of the RSU come from three sources. They are:
 - i. Required Local Contribution – the required amount that must be raised locally to qualify for state subsidy. This is usually represented as the standard mil rate across the state for education. In the base year (2007-2008) used by the RPC for analysis purposes the state mil rate was 7.44 mils.
 - ii. State Subsidy – this is the amount of state funding that will be provided to the school unit if the Required Local Contribution is approved locally.
 - iii. Additional Local Monies – this is the amount that will be raised locally in addition to the Required Local Contribution by the members of the school unit.
2. How will each of the components in #1 above be allocated to each of the member towns?
 - a. Each town will contribute the Required Local Contribution through the “standard” mil rate determined by the state.
 - b. The state subsidy will be calculated in total for the RSU, not for each local town, and will be paid directly to the RSU by the state.
 - c. The Additional Local Monies will be shared among the three towns using a cost sharing formula developed by the RPC.
3. How much of the total RSU expense is represented by the Additional Local Monies and therefore subject to the cost sharing formula of the RPC?
 - a. Approximately 15% based on the 2007-2008 school budgets for the three school districts.
4. How will the Additional Local Monies be shared under the RPC cost sharing formula?
 - a. The RPC determined that Additional Local Monies (ALM) should be shared on the same ratio as those costs were incurred in the base year (budgets for school year 2007-2008). According to the plan, this cost sharing method would stay in place for five (5) years to give the RSU and its board time to gain experience in the operation of new school unit. The cost sharing method could be changed as early as three years under provisions of the plan.

5. How much of the ALM will each town be allocated based on the cost sharing formula described above?
 - a. Durham – 21.42% or \$856,80
 - b. Freeport – 65.98% or \$2,640,000
 - c. Pownal – 12.6% or \$504,000

6. I have heard people who favor sharing costs on the basis of each town's valuation and other people who favor sharing costs on the basis of each town's student population. Are towns that are paying less than their share of valuation getting off too easy? What about towns that are paying less than their share of the student headcount?
 - a. No. The RPC believes the cost sharing formula is the fairest way to distribute the ALM costs across the RSU at this time. While there are arguments in favor of using student headcounts and in favor of using valuation, there are arguments against each approach as well. The original consolidation law would have required use of the valuation approach. The law was changed to allow the use of alternative cost-sharing approaches, and the RPC adopted a middle approach, between the extremes of valuation and headcount, that it believes is the best way for the RSU to get on its feet.
 - b. The percentages used to allocate the ALM are based on the operating cost: in the ALM for the base school year 2007-2008. Each town pays the same percentage of ALM as the percentage of ALM costs that it generated prior to consolidation in the base year. So, for the base year, Durham, Freeport and Pownal generated 24.42%, 65.98% and 12.6% of the ALM costs respectively and will be asked to continue to bear those shares in the initial years of the RSU as a fair estimate of the share of the ALM costs attributable to each town.
 - c. In the early years of the RSU it is unlikely that there will be major program shifts so it can be assumed that the spending patterns will remain similar. As the RSU matures over time the RPC plan allows for the cost sharing formula to be changed should that be necessary.
 - d. The table below shows each town's base-year share of student headcount and valuation, as well as its ALM cost-sharing percentage as set forth in the consolidation plan:

	Valuation	Cost-Share	Headcount
Durham	16.1%	21.42%	29.05%
Freeport	75.0%	65.98%	59.74%
Pownal	8.9%	12.60%	11.20%

7. Were any other cost sharing plans considered by the RPC?
 - a. The Finance Committee of the RPC developed a financial model that considered seven (7) different cost sharing scenarios for ALM. Many of

these scenarios were developed as a result of feedback received at the public meetings held in the three towns.

8. What were the cost scenarios that were considered?
 - a. The Finance Committee considered the following cost sharing scenarios:
 - i. #1 – share ALM costs based on the operating cost ratios for the base year; share debt for the high school and administrative offices starting in year 1; phase in other assumed debt (Durham Elementary, Freeport Middle School and post 2003 CIP) over five (5) years; non assumed debt would be a) debt on existing Durham elementary school; b) pre 2004 capital improvement debt in Freeport; and c) the Mast Landing School debt in Freeport.
 - ii. #2 – Same as #1 above, but the only debt to be shared is the high school and the administrative office debt. This is the approach ultimately recommended by the RPC.
 - iii. #3 – Same as #1 except share the high school costs on a per pupil basis.
 - iv. #4 – Share all ALM on a per pupil basis.
 - v. #5 – Same as #1 except share all debt assumed by the RSU on a per pupil basis.
 - vi. #6 – Share ALM on the basis of town valuation – this is as prescribed in the original school consolidation law, but was subsequently changed to allow local RPCs to adopt their own cost sharing formula.
 - vii. #7 – Same as #1 except share ALM on a per pupil basis starting in year 4 and phasing this in over 10 years with a cap of 60% of the ALM to be shared on a per pupil basis.
9. Is the model that was prepared by the RPC a budget for the new RSU?
 - a. No. Preparing a budget for the new RSU is beyond the scope of the tasks assigned to the RPC and will be the responsibility of the new RSU board once they are elected. The model is a tool used by the RPC to show the effect of various assumptions and scenarios in determining a fair cost sharing methodology and in making gross assessments of the financial feasibility of consolidating. The model can show the relative effect a change in cost sharing scenario could have on one member of the RSU vs. another, both in the short term and long term. A budget, when prepared by the RSU board, will be the estimated costs of running the RSU for a particular time frame and will include all of the specific operating and program decisions that only the RSU board has the authority to make.
10. What are the basic assumptions included in the financial model used by the RPC?
 - a. The financial model used to evaluate the different cost sharing scenarios included the following key assumptions (all in constant dollars):
 - i. There would be \$100,000 of administrative cost savings as a result of consolidating the three school districts.

- ii. There would be a "leveling up" of contract salaries beginning in year three in the amount of \$250,000 as a result of consolidating the three school districts.
- iii. High School students from Durham would migrate to Freeport High School over time and would not all move in one year.
- iv. The incremental cost of additional high school students in Freeport would be \$4,000 per student. This is referred to in the model as the "capacity cost".
- v. There is a net cost reduction for each Durham Student migrating to Freeport High School. This is due to the fact that in the base year Durham is paying \$7,715 in tuition outside of their district for their high school students. Since the estimated incremental cost for each student when they move to Freeport is \$4,000 the net benefit is \$3,715 in avoided costs per student to the RSU.
- vi. No increase in capacity is required at the current Freeport High School facility.
- vii. "State debt" is assumed to be paid for by the state on a dollar for dollar basis.

11. How was the \$100,000 of administrative savings determined?

- a. For the administrative savings, the three existing superintendents evaluated the current administrative structure in the three school districts and came up with a recommendation of the changes that could be made in that structure if the three school units were consolidated into one unit. For example, the three towns currently pay 1.8 full-time-equivalents (FTEs) for their superintendents. The RSU will have only a single superintendent, resulting in a savings of a little over \$70,000. Not every function or position, however, will see savings. For example, human resources currently accounts for only three-tenths of an FTE, but in the RSU, we expect there will be a full-time HR professional, accounting for a full FTE in that position, a cost increase estimated to be just over \$20,000. In addition to a line-item estimate of these FTE changes for administrative personnel, administrators provided the RPC with an estimate of system administration cost savings.
- b. There is uncertainty in these estimates, given the uncertainty in how the RSU Board ultimately will choose to staff the RSU. For example, Freeport currently provides contracted curriculum services at a cost of \$30,000. The RPC favors, following the recommendation of the Education Subcommittee, the hiring of a full-time curriculum coordinator. The additional estimated cost is \$50,000. Whether such a hire would be made lies in the discretion of the RSU Board. Other positions assumed to go from a partial FTE to a full FTE might ultimately not increase that way, depending on workload and staff capabilities. For example, the three towns use a combined 1.25 FTEs for Accounts Payable and Bookkeeper/Payroll, and the administrators estimated two full-time staff serving those functions in the RSU. The difference between splitting

those functions among two FTEs versus combining them into a single FTE is roughly \$45,000.

- c. Netting the cost increases and decreases in administrative salaries, yielded an estimated administrative savings of \$64,479, subject to the uncertainties described above. For example, if the RSU Board chose to fund curriculum coordination only at the current level, without hiring a curriculum coordinator and chose to use a single FTE for accounts payable and other bookkeeping functions, the cost savings would increase to roughly \$160,000. In light of the uncertainties in the estimation process, the Finance Subcommittee used a figure within this range, \$100,000, as its estimate for administrative cost savings.

12. What are "leveling up" costs and where do they come from?

- a. The \$250,000 "leveling up" costs are the result of evaluating the three different teacher contracts that currently exist and bringing them together under a uniform salary structure. This calculation was performed by the respective business offices of each of the school units.

13. What is the "capacity cost" used in the model and how was the amount determined?

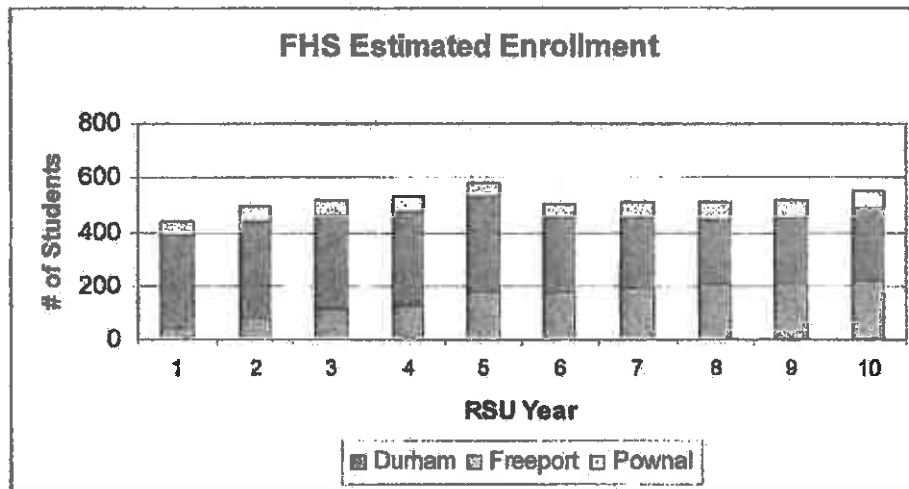
- a. The \$4,000 capacity cost or, incremental cost per student at Freeport High School, comes from an analysis performed by the Freeport school administration on what additional costs would be incurred to bring the Durham high school population into the current high school building. This cost assumes that sufficient staff would be hired to maintain the current student/teacher ratio.

14. Why is the incremental cost per student (\$4,000) at Freeport High School so much different than the average cost per student, which I understand is about \$10,000 per student?

- a. While it does not cost any less to educate the incoming Durham students, or for that matter, any new Freeport or Pownal students, than it does a student that is already at Freeport High School (FHS) there are certain fixed costs that do not change as a result of adding more students into a facility that has available capacity. Therefore, the average cost per student will decrease as more students are added to the existing facility. For instance, the cost of operating the FHS building is pretty much the same whether the building houses just Freeport students or Freeport, Pownal and Durham students. On the other hand, the same is not true for teaching staff. Initially, as new students enter the high school they will be absorbed within the existing classroom structure. Eventually though, there will be a sufficient increase in the number of students or class sizes that new staff will have to be hired to maintain the current student/teacher ratios. The capacity cost assumes this new staff will be hired to accommodate the additional students.

15. What is the projected enrollment for Freeport High School and what is the capacity of the current building?

- a. The current capacity of the existing facility is 600 students. The projected enrollment for the high school using data provided by each of the school units is shown in the chart below.



16. I have heard that the current building isn't even sufficient for the students currently at Freeport High School -- students cannot eat their lunch in the cafeteria, classes have to be held in a trailer. Why did you assume that the building has sufficient capacity for 100 or more additional students?

- a. The existing building currently has vacant instructional space during every instructional period, and the superintendent and principal advised the RPC that they believed the space was sufficient to accommodate the expected additional students in the RSU. The RPC commissioned a capacity study by outside experts to determine whether the opinion of the administrators could be confirmed. And it was.
- b. The trailer referred to is not used by Freeport because classrooms are full. The trailer is used for a special instructional program that, for instructional purposes, is physically separated from the FHS building.
- c. The cafeteria is not large enough to accommodate the current population, even using staggered lunchtimes, and even with Freeport's steadily declining enrollment; it would not be large enough to accommodate the population anytime in the foreseeable future. Freeport has been using a single lunch period, with students free to eat where they choose. That approach can continue, even with 100+ additional students, going forward. No capacity cost was included for a cafeteria build-out for two reasons. First and foremost, based on the fact that Freeport to date has not expanded its cafeteria, it appears that all of the relevant constituencies (students, faculty, administration and parents) like the current approach to

lunchtime, and we expect that to continue. Second, should the RSU Board elect to build out the cafeteria, it is not clear that such a build out would involve any increased capacity cost for the RSU; the State might very well fund the debt for such a project in the RSU. This is the type of capital project, however, for which state funding would be put in jeopardy by the penalty provisions applicable to any town that does not enter into an approved unit under the consolidation law.

17. How is existing debt handled in the financial model and in the cost sharing formula?

- a. Existing debt in any of the school units is handled in either of two ways.
 - i. High School and Administrative Offices debt – In as much as these facilities will be shared resources at the beginning of the RSU then any debt service costs will be included in the costs to be shared by the RSU members.
 - ii. All other debt – In as much as the facilities for which this debt was incurred are not being shared at the beginning of the RSU then all debt service will remain with the town which incurred the debt.
 - iii. Future debt of the RSU incurred by the RSU after formation will be shared by the RSU based upon the cost sharing formula in use when the debt is incurred.

18. How do penalties come into play in the financial model considered by the RPC?

- a. First, penalties only apply where a community decides to not consolidate and otherwise does not have an exemption or other approval from the Department of Education to “go it alone”. Penalties therefore appear as a cost for a town in the “stand alone” scenario, but not as a cost in the consolidation scenario.
- b. The amount of penalty for each town as estimated by the Department of Education on June 10, 2008 is shown below. This penalty is assessed annually and will change as the student headcount changes and as the valuation of the town changes.

Durham - \$105,332

Freeport - \$315,192

Pownal - \$48,111

- i. In addition to the penalty that can be calculated above there are other considerations that need to be included when looking at the penalty provisions of the law, which could include less favorable consideration by the state in regard to future school construction.

19. Would my town be better off financially to "go it alone" and pay the penalty?
- a. The finance committee looked at each of the scenarios and compared it to each town on a stand alone basis. The selected cost sharing formula vs. stand alone is as follows:

Durham – selected scenario is the same as standing alone;
Freeport – selected scenario is 6% less expensive vs. standing alone;
Pownal – selected scenario is 3% less expense vs. standing alone.

i. When factoring in the non-financial benefit of consolidation the RPC concluded that each community would benefit from consolidation as a whole.
20. What are the size, composition, and voting percentage of the new Regional School Union's Board of Directors?
- a. The Board will be made up of 11 members serving staggered 3 year terms. Freeport will have 6 members with 96 votes each, Durham will have 3 members with 96 votes each, and Pownal will have 2 members with 58 votes each.
21. How was the structure and composition of the Board decided?
- a. The Board must conform to "one person one vote", so the composition must have proportionate representation. This is why Freeport, the largest community, has the most members. To ensure Pownal has two representatives it was necessary to give each of those members a lesser voting power.
22. How will the Regional School Unit Board be elected?
- a. Each community will elect its representatives to the Board.
23. What is the timeline for voting to approve the Regional School Union, selecting the Board, and starting the new school system?
- a. An approval vote for the Consolidation Plan will occur at the general election in November 2008. If all three communities approve the Plan, the new Board will be elected at the beginning of February 2009. The Board will then begin its administrative duties to allow the new School Union to be fully functional on July 1, 2009. The Board will be responsible for hiring the new School Union's superintendent, creating a budget, and implementing school policies and procedures.
24. How are budgets and capital expenditures decided under a new RSU?
- a. The RSU Board will develop proposed budgets and capital expenditures. There will then be a School meeting to approve recommendations, and the voters in the three communities will then vote on whether to approve the budgets and expenditures.

25. What if one or more of the communities does not approve the Consolidation Plan in November 2008?

- a. If any of the communities vote against the Plan, the Regional Planning Committee must consider alternative plans for submission to the State Department of Education, and then, again, to the voters of the communities. This could be with the same partners or different partners. If no consolidation plan is adopted by July 1, 2009, communities and their schools may be subject to State penalties starting with the current fiscal year.

26. What local control will the communities have over schools if the Plan is adopted?

27. The Regional School Board will control school budgets, policies, curriculum, hiring, and procedures, but the Plan also allows the opportunity for local school advisory committees.

28. What is an Alternate Plan?

- a. An Alternative Plan is submitted by an SAU that proposes to meet the required reductions in costs without partnering with other SAU's. An alternative plan may be submitted only by a unit that is:
 - i. An offshore island
 - ii. A school operated by a tribal school committee
 - iii. A school administrative unit that serves more than 2500 students or 1200 students where circumstances justify an exception to the requirement of 2500 students
 - iv. A school administrative unit that is designated as an efficient, high-performing district. A school administrative unit is designated an "efficient, high-performing district" if:
 - 1. It contains 3 schools identified as "higher performing"
 - 2. Its reported 2005-2006 per pupil expenditures for system administration represents less than 4% of its per pupil expenditures

29. Do Durham, Freeport and Pownall qualify for an Alternate Plan?

- a. The current Plan is an alternate plan. The three towns have less than 2500 students, but more than 1200 students.

30. What is an Alternative Organizational Structure?

- a. An alternative organizational structure (AOS) is a regional school unit and still requires communities to function as a single school system that reports a single budget to the Department of Education, receives a single subsidy check, and has a common core curriculum and procedures for standardized testing and assessment. An AOS files reports with the state as

a single unit and must adopt consistent school policies, and a plan for achieving consistent collective bargaining agreements. (Separate collective bargaining agreements are allowed, provided they are consistent.)

The plan for an AOS must also include an interlocal agreement and a plan for presenting, approving, and validating the annual school budget that ensures K-12 budget transparency for its members and their voters. The law requires a plan to achieve that goal; it does not specify the details of how it must be achieved.

31. Did the RPC consider an AOS?