

Questions asked at the KMS community referendum meeting last Thursday in Kerkhoven

by Emily Rotthaler

Around 30 people were in attendance at the KMS school district's third, public informational referendum meeting at the high school in Kerkhoven last Thursday. The meeting included a presentation of ICS representative Chris Ziemer about the scope of the project as well as Baker Tilly representative Ryan Fetters further explaining the project's financing, tax impact, and online tax impact calculation tool.

The meeting also offered the opportunity for community members to ask questions. Here is what people wanted to know:

Q1: Do the tax impact values on the website already take into account the Ag2School credit? Is the Ag Credit assured for the next 20 years (until the project's bonds mature)?

Answer: Yes, they do. And

no, there is no guarantee but a discontinuation of the state's Ag Credit program due to its popularity is unlikely. Both Fetters and Ziemer said that there has been no talk of getting rid of the credit in the legislature but talk to potentially further increase it.

The Ag2School tax credit is an automatic 70% tax credit afforded to holders of agricultural land and would pay for 55% of the project's bonded debts. As Fetters specified, "The credit is coming from the state. It doesn't mean that residential homeowners are paying that share. It's coming from the metro area."

Q2: Until old bonded debt matures and more annual debt service capacity opens to the new bonds, will the project debt be like an interest-only loan?

Answer: According to Fetters, it depends on what the interest rates on the day of

sale end up being. The current values are calculated with an interest rate of 5% on the high end but are expected to be lower on the day of bond sale, in which case the district's debt would undergo restructuring.

Either way, the project debt, including interest, will be shifted out and layered into the district's existing annual, bonded debt service, to take up the capacity left behind by old, bonded debts of the district that are maturing. The goal, Fetters said, is to keep a level annual debt service.

Q3: Are people who own a business in the school district but live outside of it eligible to vote?

Answer: No. As Fetters said, if you don't live in the district, you won't be able to vote.

Q4: Is there a metric used
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Eric Rudningen of Kerkhoven made a point during last Thursday's referendum meeting at KMS High School. Similar informational meetings were held earlier in the week at Murdock and Sunburg.

Also shown are Paulette Johnson of rural Kerkhoven, (far left), Erica Henry of rural Murdock (near left) and Dorothy Broberg of rural Kerkhoven.

KMS referendum info meeting

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to help determine how much would be too much to spend, or what the financial carrying capacity of the community and taxpayers is?

Answer: According to Fetters, there is no specific study done but the district is compared to other districts. Since districts differ, it all depends on net tax capacity, and the valuation within a specific district. In theory, the bigger the district, the more it can handle. Besides comparisons, another metric used is the referendum itself, looking to the community to give feedback on needs versus costs.

Q5: What is the goal size per grade, both in the eyes of the district and in the eyes of the taxpayers?

Answer: As board member Harmon Wilts said, generally, the district's priority is to keep class sizes small. At the elementary school, there are currently three sections with roughly 25 students each, adding up to 75 students per grade, which, as Wilts put it, "If you look at the economics, if you look at where we live, where both schools are built, that's probably the number - about 75 per grade."

With the project, the district is looking to not only get students out of the basement (at the elementary in Murdock) and smaller rooms, but also to put K-6 into a spot where each grade could go from three sections to four sections if needed.

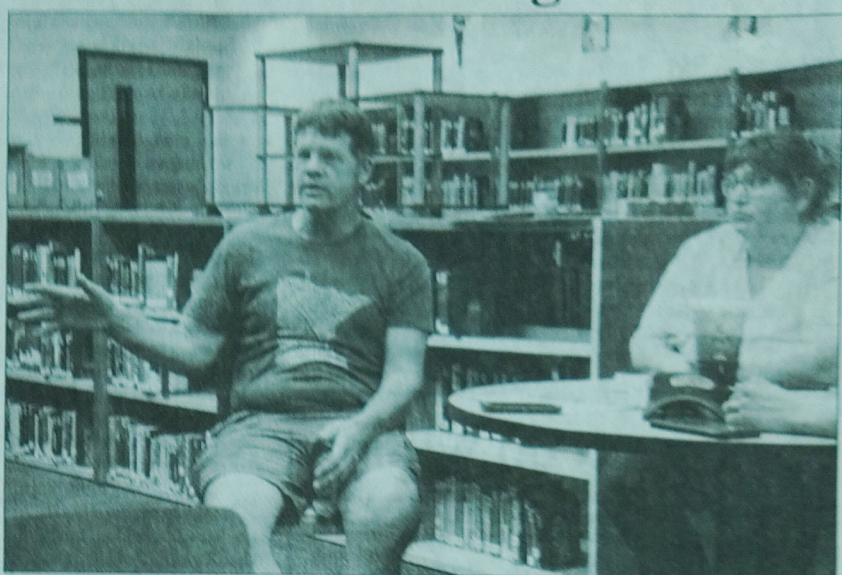
Q6: Would a drop in enrollment affect the tax impact of the project?

Answer: No. As Fetters explained, the district's tax levies are not based on enrollment but on property tax. "Property tax is a very stable source of revenue. There's fluctuations over time but it is fairly stable, so that the enrollment won't impact. You still have the annual levy, and that would be distributed among the district based on a calculation of the tax rate," he said.

Q7: What steps are being taken by the board to contemplate where the size of the school district is going to go?

Answer: Wilts and Superintendent Martin Heidelberg agreed that the district's goal is to be strategic about growth and plan ahead which is why they said the board has spent a lot of time over the last 10 years looking at where the district should go, how big or how little it should go, and overall making sure it has something viable for the next generations.

"It's difficult: would it be nice to stay at a little bit of a smaller size? Probably. But the challenge gets to be if we aren't growing some, we are probably going backwards, so we have to think about: how do we grow not only in the classrooms and in our teachers, but size is a little bit of that too. We've looked at it in pretty big



Rod Lindquist of rural Kerkhoven asked a question during last Thursday's informational meeting about the upcoming KMS referendum. Also shown is Tasma Wilke of rural Murdock.

detail, of where we should go. We think this is probably the project that will end for quite a long time," Wilts said.

Q8: What happens to the tax impact should real estate values across the board suddenly decrease? Would taxes go down with values, and if yes, where would the money for the project come from?

Answer: "If everything were to go down, the tax rate would have to go up because we still have to generate a levy based on a smaller tax base," Fetters said.

In other words, if property values were to go down, the district's annual debt service and bond repayments would still remain level. So, the same bond payments, split on the same number of property owners and their respective properties, would lead to everybody's share of the annual tax levy remaining about the same. With a lower property value, that share would, however, constitute a higher percentage of their property value, therefore a higher tax rate.

Q9: How is the district held accountable to follow the project plans and accomplish the promised scope of work?

Answer: Through the Review and Comment Document, Ziemer said. "What was promised in the Review and Comment Document is what the state holds the district to. It also leaves the open end that if there is additional funds, you are able to re-invest those on other projects."

And, in response to concerns about allegedly unfulfilled promises in the 2013 referendum, Ziemer and board members sought to clarify that the 2013 project did accomplish the scope of what was promised, finished on budget, and had some leftover funds that were then used on extra projects after. Some items, such as a walking track, were

talked about but never officially made it into the scope of the project.

Q10: If Q2 passes, will athletic fields be built to regulation?

Answer: Yes. Ziemer said, "The three softball fields will be built to high school softball regulations. There's going to be flexibility because one need that was identified was space for community ed baseball and other programs. The track will be eight lanes, which is pretty typical for out state Minnesota. It will be able to run a section meet if you needed it to, or run a regular meet. All of the field events will be provided as well."

Q11: Have the costs of maintaining the new fields, track, and equipment been factored in?

Answer: Yes. Ziemer said, "Yes, that is all part of the review and comment. We have to do a calculation and submit that so it's a known number to the district. It's also what Long-Term Facilities Maintenance funds provide for the district."

Q12: If KMS builds a new track, would KMS still remain in a co-op with Benson?

Answer: Yes. Heidelberg said, "There is no plan to break away from our co-op. If anything, we'd be looking to move to a transition - a 50/50 split like we've been doing with cross country." The benefits, he described, would be to get students home earlier half of the time, reduce the district's costs, but maintain the friendships and competitive spirit that the cooperative affords.

Q13: Does the basic education formula that the state funds schools through help pay the cost of the project?

Answer: No. Ziemer said, "It covers operating costs only.

You can't use it to build buildings, and bonds can't be used to operate facilities either."

Q14: How is district getting out information about the referendum, particularly to people living outside city limits? Will there be any additional informational community events?

Answer: Ziemer and Heidelberg said that the first set of mailers was sent out last week, in line with election law requirements. The review and comment was published in the paper and will be discussed at the October board meeting. The project plans as well as financing, tax impact, and voting eligibility information are also available on the project website.

Additionally, Heidelberg said the district is considering sending out a second mailer and is open to hosting additional community meetings.

Q15: If enrollment numbers were to increase to a point that would warrant four sections per grade, would the schools be able to handle it?

Answer: Yes. According to Ziemer, the facility addition gives the district the flexibility to deal with such an increase in enrollment numbers.

Q16: Did the district consider building outside restrooms for sports events?

Answer: It was debated on the board level for months but taking into consideration the plumbing work, winter maintenance, and risk of vandalism, Ziemer said the cost of outdoor restroom facilities would be well over \$1 million dollars and would not constitute a good return on investment. Wilts added that the board preferred to invest the money into education and look into setting up a path with light and mini-biffs instead.