

To the Freeport, Durham Pownal Reorganization Planning Committee:

I have been asked to provide an independent review and opinion of the Reorganization Planning Committee's (RPC) finance sub-committee's methodology, documentation, figures and assumptions to ensure that it is fair and accurate. I am providing a limited review and feel it is important to note that due to my position as Finance Director for the Town of Freeport, I am not truly independent. I would also like to stress that this review was limited to those matters I felt were important to the analysis and to which I could comment based on my knowledge and experience. As such, this review should not be considered complete, nor one which covers all aspects of the cost sharing methodology and can not be solely used to determine what is fair and accurate to the public as a whole. That being said what I am able to provide is a "limited" review and simply my observations on certain assumptions.

As a result of meeting with members of the RPC on September 10, meeting with Freeport School Department Superintendent Elaine Tomaszewski and School Business Manager Diane Boucher, and speaking with members of the RPC and staff at the Freeport High School, I gained an understanding of the finance sub-committee's methodology, documentation, figures and assumptions. Based on that knowledge I have decided to focus my review on the following issues that I believe are important to the overall cost sharing analysis done:

1. The administration's estimate of \$4,000 added per pupil cost for the Durham Students migrating over to Freeport High School. This has been referred to as "Capacity Cost"
 - I have done my own estimate of the capacity cost for the variable cost of adding approximately 180 Durham students to the current student population at the Freeport High School (currently approximately 420). I based my analysis on a 32 unit schedule over four years of which 22 credit units are required to graduate) and certain other assumptions for wages, benefits, supplies and support staff. Based on those assumptions which I believe are reasonable I have separately calculated the capacity cost to be \$4,133 per student. This is slightly higher (3.3 percent) than the administration's estimate but within reasonable range.
 - The additional 180 students will be transitioned to Freeport High School over a period of several years. The annual impact to the budget will not be level with some years providing cost reductions and potentially some years with minor cost increases. I have based my analysis on the long term 180 student increase.
 - Of note is the fact that this estimate assumes no capital cost needed to accommodate the additional approximately 180 students. I make no other judgment than to note this fact and refer the question to #3 below.

2. Leveling up of teacher contracts \$250,000 cost estimate
 - The contracts for Pownal and Durham are at lower contractual rates. It is anticipated that once the consolidation occurs the union contracts over time would meld into a RSU contract and result in certain cost increases for some of the employees. I have reviewed the estimate and it appears reasonable. However, this process would require union & RSU negotiation and approval.
3. Can Freeport High School accommodate the approximately 180 potential Durham students without incurring significant capital cost?
 - I believe this is an important assumption, however, I have no expertise in this area and must simply refer back to the Facility study for Freeport High School. The McCormick Facilities Management report on Freeport High School capacity notes a range of 710 to 806 students for Freeport High School. The anticipated 600 student enrollment at Freeport High School over the next 5 years falls below the facility studies maximum range.
4. Administrative Savings estimate
 - The estimate of \$100,000 of administrative savings appears reasonable given the current staffing.
 - The issue of potential cost increases as a result of the consolidation have been discussed but have not been included in the models. For example the issue of a full-time curriculum coordinator has been raised. This position has been debated for several years by the Freeport School Board and at present is only funded as a part-time contracted position. The new RSU board will need to debate the merits of this staffing change and it should be simply noted that no cost increase for this position has been included in the models.
5. Debt Service Cost sharing
 - I have reviewed the debt service schedules compiled and the methods used for cost sharing for those costs. They appear appropriate and fair.
 - The cost sharing for debt service consist of four components:
 - i. State participating debt – funded as part of State’s Essential Program and Services (EPS) funding model.
 - ii. High School and administrative debt – funded as shared cost by the RSU
 - iii. Other present non High School and non administrative debt – funded by Town that incurred debt
 - iv. Future Debt – Requires approval by RSU and will be shared cost by RSU.
 - It should be noted that Freeport gets some shared debt service funding from Durham and Pownal for the High School and Administrative debt as per ii. above.

6. Cost Sharing Formula

- The State requires each community to fund Essential Program and Services (EPS) Costs based on the state funding formula. The models have been prepared based on a 7.44 mils basis. It should be noted that this mil rate and the community's state valuation are not fixed and will change over time. The future impact to each community can not be determined as these are unknowns.
- The budget for additional local funds above EPS, are the costs which are subject to the RSU cost sharing calculation. The method selected by the RPC is a fixed ratio based on the 2007-2008 fiscal operating budgets. The rates are:
 - i. Durham 21.42%
 - ii. Freeport 65.98%
 - iii. Pownal 12.60%
- It is anticipated that the RSU board will review this cost sharing method and following the 3 year transition period will work to amend the cost sharing formula by either a RSU board vote or RSU voter referendum.
- My personal opinion is that a fair and reasonable cost sharing formula should take both valuation and student enrollment into account and over the years I favor a 50% valuation 50% student formula.

I hope these comments assist in the review process and provide the committee with the information they were looking for.

Sincerely,

Gregory N. L'Heureux, CPA
Finance Director, Town of Freeport