



JNA Consulting Group, LLC
Independent Public Finance Advisors

To: David Brady, Chairman, SB411 Committee, Douglas County School District

From: Martin Johnson, JNA Consulting Group

Date: February 22, 2016

Re: SB411 Committee Recommendations

As requested at the February 17th meeting attached is a matrix showing the required tax rate to generate various amounts of annual revenue from each of the five available taxes. Additionally, I've provided some thoughts and recommendations which the committee may want to consider as they move forward.

- 1) The need for flexibility is extremely important. Flexibility mostly applies to how revenues may be used (bonding versus pay as you go). The ability to potentially bond against the revenues could be important if a large cost project comes up or if there are economies of scale from combining a number of smaller projects. I would not recommend limiting how the revenues may be used.
- 2) The term of life of the tax revenues is also important. While needs have been identified for the next five years, it is likely that as each year passes additional projects may need to be added to the list. These new projects could be the results of aging systems, legislative mandates or educational changes. Given the outlook for property tax revenues, setting a new revenue stream to only cover the identified projects will likely result in the need for a similar process in 5 years. However, SB411 only provides for a one-time option at the November 2016 ballot. I suggest the committee take a longer term approach and look at funding that can cover an additional number of years.
- 3) Projecting revenues is an uncertain science in the current environment. It is important not to try and set the rate so closely to the revenue mix that there are insufficient annual revenues to pay project costs or debt service. I would suggest having at least a 10-20% cushion in the annual revenue (assuming there is the intention to have some PAYG funding) unless the committee is considering Real Property Transfer Tax, Governmental Services Tax or Room Tax. For RPTT I would suggest 50% and not counting on those revenues for debt service if possible. GST and Room Tax would be better with 25% cushion.
- 4) In terms of developing a question for the ballot, generally simpler is better. One, or maybe two revenue sources would be best. Due to its volatility I would not recommend RPTT as the primary revenue source. Also I'd suggest rounding tax rate to "even" increments for ease of discussion with voters.

If you have any questions or would like to discuss this further please contact me.

**Douglas County School District
SB411 Funding Plan
Revenue Matrix**

Annual Revenue	----- Annual Tax Rate* -----				
	<u>Sales Tax</u>	<u>Property Tax</u>	<u>GST</u>	<u>Room Tax</u>	<u>RPTT (per \$500)</u>
100,000	0.015%	\$0.0034	0.07%	0.17%	\$0.08
250,000	0.037%	\$0.0086	0.18%	0.42%	\$0.19
500,000	0.074%	\$0.0172	0.36%	0.85%	\$0.39
750,000	0.111%	\$0.0257	0.53%	1.27%	\$0.58
1,000,000	0.149%	\$0.0343	0.71%	1.69%	\$0.78
1,250,000	0.186%	\$0.0429	0.89%	2.12%	\$0.97
1,500,000	0.223%	\$0.0515	1.07%	2.54%	\$1.17
1,750,000	0.260%	\$0.0601	1.25%	2.96%	\$1.36
2,000,000	0.297%	\$0.0687	1.42%	3.39%	\$1.56
2,250,000	0.334%	\$0.0772	1.60%	3.81%	\$1.75
2,500,000	0.371%	\$0.0858	1.78%	4.23%	\$1.94
2,750,000	0.409%	\$0.0944	1.96%	4.66%	\$2.14
3,000,000	0.446%	\$0.1030	2.14%	5.08%	\$2.33

* Estimated tax rate based on projected FY18 tax base