

# Parnassus Preparatory School

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April 14, 2010

Dear District 279 Board Members,

As a representative of Parnassus Preparatory School, I want to follow up to my public comments at the April 6<sup>th</sup> school board meeting where the Parnassus Board of Directors expressed interest in leasing Osseo Elementary (OE) from district 279.

In addition to attending the school board meeting, several of our board members had a chance to attend the earlier working session where the repurpose of OE was discussed. The purpose of this letter is to make you aware of some of the financial benefits District 279 would gain by leasing OE to Parnassus.

## 1) Lease Cost Savings:

The administration cited a savings of \$717,944.95 resulting from their proposal. It is my understanding that the bulk of this number (\$400k+) is the result of the OALC facility moving from leased to owned. **Those saving would accrue to the district whether or not you lease OE to Parnassus.**

The relevant comparison is the *cost* of the 2 leased facilities (Zachary Square and Timberland) vs. the lease *revenue* from OE. According to the administration memo, the two leased spaces comprise 30,244 sq. ft. It is my understanding that those leases cost approximately \$300k per year. Lease revenue from Parnassus to the district will ultimately depend on a negotiated lease. However, we are confident that leasing OE would drive **AT LEAST \$300k per year** and likely more.

A further issue to consider: if it is true that the lease revenue would go to the general fund and lease costs come from a lease levy, the district would have more financial flexibility. Lease levy would go down \$400k from the OALC facility AND general fund revenue would go UP by the amount of lease revenue for OE. (Again, please check with staff to confirm that lease revenue can go to the general fund.)

## 2) Operating Cost Savings:

As a tenant in OE, Parnassus would be responsible for reasonable operating costs. While operating costs can be driven in part by lease terms, things like

lights, heat, custodial are a tenant's responsibility. A general rule of thumb is that operating costs can range from \$1-\$2+ per square foot. By leasing to Parnassus, the district could **save \$50,000 to \$100,000 per year** in operating costs. Again, I believe those savings would free up resources in the general fund.

### **3) Capital Expenditure Savings:**

The administration's plan calls for some unspecified renovation costs to both OE and the OALC as a result of the move. We haven't toured the facility so we can't comment on any necessary renovations for our program. However, it is our expectation that by using OE for its designed purpose—as an elementary school—any renovations would be minimal.

### **4) Relocation and Moving Cost Savings:**

The administration's plan requires detailed logistical planning. That means staff time and effort in planning not to mention the actual cost of making the move. While these costs are one time in nature, they are costs that will likely be paid out of the general fund.--dollars that would otherwise go to educating students.

### **5) Additional Levy Revenue:**

According to 2009-2010 Levy Certification (line 172 page 04), the district receives approximately \$1,180 of referendum revenue per RMCPU. For simplicity, let's assume that means per residential student. I believe that means the district levies for all students who attend PUBLIC school in their district—regardless of what district they live in. We estimate based on our list of interested parents that up to ½ of our students are not currently attending 279 schools. We have received much support and interest from parents in the Champlin area, from parents of private school children and even from parents of home schooled kids. By way of anecdotal evidence, of the 10 kids of families on our board, only 2 currently attend 279 schools. By bringing 100-200 more students into a public school in the district, 279 could see an increase in general fund revenue (via the referendum levy) of \$100,000-200,000.

As mentioned in the administration's plans for OE, there are issues beyond finance that will go into your decision on OE. It is up to your board and the administration to determine the cost/benefit of the programmatic benefits cited. It will be up to the city of Osseo and its leaders to determine the community benefits of having OALC vs. having Parnassus.

Our board certainly believes Parnassus would be a great asset to any community. We also believe that our two boards share the belief that increasing the educational choices for families in this area is important. Certainly we both share the commitment to raising the test scores and education of all kids by offering that choice. We feel that leasing OE to Parnassus brings financial benefits to district 279, quality of life benefits to the city of Osseo and, most importantly, educational benefits to the families in the surrounding area.

Regards,

Greg Friess  
Vice Board Chair & Treasurer  
On Behalf of Parnassus Preparatory School