

MINUTES
NEW SCHOOL DISTRICT TRANSITION TEAM

Sandy City Hall—East Conference Room
10000 Centennial Parkway Sandy, UT 84070

MARCH 27, 2008

Meeting commenced at 4:05 p.m.

PRESENT

New School District Transition Team (NSDTT) Members: Chair Steve Newton, Vice-Chair Devon Sanderson, Michael Petersen, LaMont Smith, Mike Shelton, and Bob Day. Dave Doty arrived at 5:00 p.m.

Members Excused: Jason Burningham

Others in Attendance: Cottonwood Heights Councilman Scott Bracken, Salt Lake Tribune Reporter Roxana Orellana, Valley Journals Reporter Marie Mischel, Deseret Morning News Reporter Jennifer Toomer-Cook, JSD Board Member Kim Horiuchi, Remaining School District Transition Team Chair Ralph Haws, Remaining School District Transition Team Member Melissa Johnson, NSDTT Staff Support Linda Bullough, Michelle Nelson, Mick Shannon, and Teresa Curtis

WELCOME

Chair Newton called the meeting to order and welcomed those in attendance.

APPROVAL OF MINUTES

Motion: Michael Petersen moved to approve the 03-03-08 and 03-10-08 NSDTT meeting minutes.

Second: Devon Sanderson

Vote/Motion Approved: Unanimous vote in favor of the motion.

DISCUSSION: COMPREHENSIVE COMPROMISE ALLOCATION SETTLEMENT REACHED BETWEEN NEGOTIATION TEAMS

- Members Shelton and Sanderson briefly discussed the meetings held by the four-person negotiating team and the evolution of the proposed compromise settlement. They explained that the members of the negotiating team “independently and collectively came to similar conclusions.” These conclusions were reached after many hours of meetings, individual analysis, and difficult discussions. Member Shelton explained that the negotiating team tried to keep the proposal in line with existing statutes while at the same time paying respect to those individuals who will ultimately be elected to deal with the results.

- Member Petersen requested that each of the 13 items included in the proposal be reviewed in detail. Members Shelton and Sanderson complied and answered specific questions from team members as each point was discussed.
- Member Smith asked what the thinking of the negotiating team had been relative to liabilities and building values. Member Shelton said that not much time had been spent discussing short-term liabilities, e.g. payroll, as those are shut out fairly quickly. He also indicated that building value was a very contentious point, and that the value of real property impacted such a large percentage of the assets that the negotiating team felt a comprehensive approach was the only way to get to an agreement.

Dave Doty arrived at 5:00 p.m.

- Chair Newton explained that much of the anger and politics associated with the formation of an Eastside school district are based on myth and erroneous information.
 1. **Myth:** Rich/East v. Poor/West
Reality: Average household income in Jordan East and Jordan West is almost identical at approximately \$61,000 per household. Housing values of the two sides fall within comparable ranges.
 2. **Myth:** Westside paid for the Eastside schools.
Reality: Since 1980, the mill levy for schools has progressively decreased as the property tax base has expanded. Eastside schools were built when the mill rates were much higher. Eastside buildings average 35 years in age compared with an average age of 12 years for Westside buildings. The Eastside dealt with its growth without help and has helped to build the Westside schools.
 3. **Myth:** Westside has the burden of building new schools and the Eastside doesn't have building needs.
Reality: The growth numbers used in the JSD Growth Summit projected growth for 2005-2010 to be 15%, and 17% for 2010-2016, with these projections essentially being straight out estimates in contrast to actual growth rates for 1995-2000 (3%), and 2000-2005 (7%). Subsequent numbers show that the actual increase thus far is 36% below projections. This coupled with a possible recession and the decrease in building indicates that the actual growth will continue to be much lower than that purported in the JSD Growth Summit. If growth rates over the next 15 years are slightly higher than the last 10 years, the actual needs for the west side will be \$400 million instead of \$800 million; \$100 million will be paid out of existing bond proceeds and approximately \$200 million will be paid out of State and County equalization money leaving the West District with a \$100 to \$150 million problem. Additionally, mill levies will never have to be raised as high as they were when Sandy, Cottonwood Heights, and Midvale built their schools. Thus, while the Westside does have building needs, those needs are not nearly as great as estimated in the JSD Growth Summit. Eastside building needs are not highlighted in the JSD Growth Summit. These needs represent approximately \$300 million of repair and replacement needs as shown in the Facilities Condition Index study done by the JSD just to equalize the Eastside FCI with the Westside FCI. An example of the problem is the un-reinforced masonry

construction of 3 middle schools on the Eastside that don't meet seismic codes, and other maintenance, safety, and renovation issues that have been deferred and are needed to bring the Eastside buildings up to the condition of the Westside buildings. It was the failure to address these Eastside safety issues that led to the "divorce" in the first place. The Eastside, therefore, faces the reality that middle schools in Sandy, Cottonwood Heights, and Midvale need to be rebuilt, as well as a middle school in Draper that was part of the 2003 Bond Vote, but which was deferred by the JSD. The Eastside's \$300 million building needs are not speculative or based upon projections of the future. They are real and current building needs of a greater net magnitude than those of the West Side.

- Chair Newton expressed concern with other items in the negotiating team's proposal.
 1. The Eastside should get 57% of the bond proceeds since it has to pay 57% of the debt; however, the proposal only considers \$196 million of bonds, not the full amount of \$354 million for which the Eastside will be responsible for repayment. He noted that under the proposal, the Eastside will repay \$202 million of the bonds and only receive \$112 million of the proceeds.
 2. Under the proposal, it is estimated that the Eastside will receive about 1/3 of the Net Assets and the Westside about 2/3 of the Net Assets. Since the Eastside has 43% of the students, Chair Newton questioned the equity of this result and noted that the Eastside balance sheet will be significantly worse than the Westside balance sheet.
 3. Chair Newton expressed the opinion that the Eastside could get a better deal with arbitration because emotion and politics will not be part of that process.

Motion: Member Smith moved that further discussion on the proposal be tabled until additional numbers are analyzed to see the fiscal impact the proposal will have on Eastside residents.

Second: Chair Newton

Discussion:

- Member Shelton indicated that these are valid concerns, but that no proposal can solve everyone's problems.
- Member Doty indicated the positives of the proposal include: 1) By moving the allocation date to July 1, 2008, a clear delineation of legal, budgetary, and financial authority is established for the new boards, 2) Recognition that the bond proceeds are the property of all of the Jordan School District and an attempt is made to divide them between the districts rather than giving them all to one district, and 3) While building values are not explicitly used, they impacted the construction of the proposal.
- Member Smith expressed concern over approving the proposal without knowing what the bottom line results will be.
- Chair Newton indicated specific information team members need in order to further discuss the proposal: 1) The effect on Net Assets, 2) The amount of bond proceeds not under contract, 3) The value of property that can be used to swap/collateralize and balance the equation.

Vote/Motion Approved: Unanimous vote in favor of the motion made by Member Smith.

Motion: Member Petersen moved that efforts be made to get the specific information Chair Newton itemized.

Discussion:

- Member Smith expressed concern that each district has enough liquid assets to actually operate. He suggested asking Larry Johnson to run some operational numbers.
- Chair Newton asked Member Smith to articulate this, and Chair Newton will make the request.

Amended Motion: Member Petersen moved to analyze the proposal's effect on Net Assets, determine the amount of bond proceeds not under contract, estimate the value of property that can be used to swap/collateralize and balance the equation, and obtain an estimate of operational numbers for each district.

Second: Member Smith

Vote/Amended Motion Approved: Unanimous vote in favor of the motion.

NO CLOSED SESSION WAS CALLED FOR

OTHER ITEMS

- Future Joint Meetings: Chair Newton indicated he did not think the NSDTT would be ready for a joint meeting with the RSDTT on March 31. Chair Haws, observing the meeting, concurred and indicated that the RSDTT would also not be ready for a joint meeting on March 31.
- Next NSDTT Meeting: After a brief discussion, it was decided that the next meeting of the NSDTT would be Monday, April 7, 2008, beginning at 4:00 p.m. at Sandy City Hall.
- Meeting with Draper City Council: Members Smith, Day, and Petersen indicated they are scheduled to meet with the Draper City Council on April 1, 2008 at 7:00 p.m.

Motion: Member Day moved to adjourn the meeting.

Second: Member Smith

Vote/Motion Approved: Unanimous vote in favor of the motion.

Meeting adjourned at 6:20 p.m.

This document, along with the digital recording, shall constitute the complete meeting minutes for the New School District Transition Team meeting.

Minutes submitted by Linda Bullough