

MINUTES
NEW SCHOOL DISTRICT TRANSITION TEAM

Sandy City Hall—Council Conference Room (#221)
10000 Centennial Parkway Sandy, UT 84070

APRIL 7, 2008

Meeting commenced at 4:50 p.m.

PRESENT

New School District Transition Team (NSDTT) Members: Chair Steve Newton, Vice-Chair Devon Sanderson, Mike Shelton, Michael Petersen, LaMont Smith, and Bob Day. Dave Doty arrived at 5:52 p.m.

Members Excused: Jason Burningham

Others in Attendance: Valley Journals Reporter Marie Mischel, Salt Lake Tribune Reporter Roxana Orellana, Deseret Morning News Reporter Tiffany Erickson, Remaining School District Transition Team (RSDTT) Member Melissa Johnson, NSDTT Staff Support Linda Bullough, Debra Hunter, Marc Hunter, Pat Casaday, Shane Tophan, and Jeff Shields

WELCOME

Chair Newton welcomed those in attendance, and apologized for the late start of the meeting.

APPROVAL OF MINUTES

Motion: Member Sanderson moved to approve the 03-27-08 (10:00 a.m.) and the 03-27-08 (4:00 p.m.) NSDTT meeting minutes, noting with appreciation that the complete text of the negotiating team's proposal and preamble are included in the body of the 03-27-08 (10:00 a.m.) minutes.

Second: Member Day

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

CLOSED SESSION

Motion: Member Day moved to go to closed session until 6:30 p.m. to discuss reasonably imminent litigation under Utah Code Section 52-4-205.

Second: Member Petersen

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

Guests were asked to leave.

Closed Session commenced at 4:56 p.m.

Dave Doty arrived at 5:52 p.m. during the closed session.

Open Session commenced at 6:38 p.m.

CLOSED SESSION ACTION

Motion: Member Shelton motioned to retain the services of Jeff Shields, an attorney associated with Callister Nebeker & McCullough, as counsel to advise the NSDTT for preparation of possible arbitration proceedings.

Second: Member Day

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

DISCUSSION: RESPONSE TO THE REJECTION OF THE APPOINTED NEGOTIATION TEAM'S PROPOSED COMPREHENSIVE ALLOCATION SETTLEMENT AND THE NEGOTIATION PROCESS BY THE RSDTT

Chair Newton stated that notes prepared of the RSDTT's 04-03-08 meeting, and a verbal report by a NSDTT member who attended the meeting, indicated the following:

- The RSDTT rejected the negotiation team's work and repudiated the negotiation process through an outright rejection of the Rules of Governance both Transition Teams developed and agreed to.
- The RSDTT abandoned the negotiation process in a meeting where the two members they had appointed to the negotiating team were not in attendance.
- The RSDTT closed the door on negotiations by insisting that bond proceeds and the July 1, 2008 allocation date are off the table.

Member Shelton noted:

- The four members of the negotiating team felt that they had come to a reasonable compromise that made an attempt to balance the equation between the two districts.
- He felt that the RSDTT had made no accommodation to include their negotiating team members in the process of their decision.
- The negotiation team saw a large imbalance in the assets and that the easiest way to remedy the imbalance was by cash that hadn't been spent. He noted that the negotiation team's proposal left the New District with 1/3 of the Net Assets, and the Remaining District with 2/3's of the Net Assets.
- By refusing the negotiated proposal, the RSDTT took the stand that a "fair and equitable" distribution of assets is possible only if the New District is allocated less than 1/3 of the Net Assets.
- Member Shelton expressed the opinion that there is no condition under which the NSDTT would accept less than 1/3 of the Net Assets.
- The negotiating team tried to work within the current law and current cash situation. He stressed that all four members of the negotiating team felt that using some of the bond proceeds, as well as the other options listed under point #3 of the proposal, were viable methods working within the statute to balance the asset division.

Member Smith asked if the NSDTT could agree to take the bonds and the July 1, 2008 allocation date off the table, insist on valuing all of the buildings, and come up with an alternate proposal.

Chair Newton noted that the only way the bond proceeds could be taken off the table is if the payback obligation of the bonds is adjusted so that the New District pays 36% of the bonded indebtedness rather than 57%, and that would require a change in legislation, and the agreement of the RSDTT.

Member Sanderson said that the negotiating team looked at resources that could be moved around in an attempt to get nearer to a 50/50 split. He emphasized that all 13 items in the negotiating team's proposal were weighted in terms of viability and operational considerations. The proposal works as a whole, but falls apart when items are removed.

Continued discussion of the RSDTT's rejection of the proposal highlighted the following points:

- It was felt that the RSDTT was seeking a political solution rather than a business solution.
- Removal of the 57% of the \$196 million in bond money would result in an allocation split of 25% of the Net Assets being allocated to the New District and 75% of the Net Assets being allocated to the Remaining District. It was determined that this did not begin to approach the threshold of "fair and equitable."
- The RSDTT did not appear to make an effort to look at or understand the numbers their negotiating team members used to come up with the proposed settlement.
- References to the feasibility study performed in 2006 are irrelevant because it was designed as a worst case scenario, forecasts have changed, and the \$196 million in bonds were issued after the feasibility study was completed.
- Negotiation-through-press-release represents a repudiation of the negotiation process. A more appropriate response would have been to contact the NSDTT with concerns, or a discussion of concerns with the members of the negotiation team.
- The statute clearly states that all assets are to be considered for division, including cash and buildings. The statute does not allow for either team to arbitrarily take any asset off the table. It is irrational for the RSDTT to insist that one portion of the statute be enforced (57% bonded indebtedness to the Eastside), and ignore another portion of the statute (removal of bond proceeds from the asset division process).
- The June 30, 2009 allocation date is not workable. School budgets must be in place by June 2009 to function for the 2009-2010 school year. Budget numbers are needed by April 2009 in order for the New District and the Remaining District to bond or issue Tax Anticipation Notes ("TAN"). The June 30, 2009 date provides no financial information for the new Boards until November 2009. This information is vital for both the New District as well as the Remaining District. JSD accounting personnel indicate that running separate numbers for both districts as of July 2008 is not only possible, but it is a sound idea. By taking the allocation date off the table, it is perceived that the RSDTT is taking a punitive stance to do maximum harm to the New District's ability to operate. Members Sanderson and Shelton indicated that this

allocation date was not an issue with the four members of the negotiating team and the date was agreed to at the very beginning of the negotiating team's work. Thus far, the only reason put forth by the RSDTT for keeping the June 30, 2009 allocation date is the accounting burden it causes for the current JSD accounting department.

Chair Newton suggested that he draft a letter to the RSDTT from the NSDTT that contains the following:

- Characterizes what the NSDTT perceives to be the action and position of the RSDTT concerning the negotiations, and requests clarification on the actions of the full RSDTT if the NSDTT's understanding is incorrect.
- The NSDTT perceives that the RSDTT, at its April 3, 2008 meeting, has taken bond proceeds and the allocation date of July 1, 2008 off the table for negotiations.
- If this premise is correct, the NSDTT interprets this as a violation of the statute in that bond proceeds are allocable assets that cannot be unilaterally taken off the table, and as a result, the RSDTT has taken a position that the statute does not apply.
- Indicate that if this is the case, then the NSDTT does not believe that the negotiation process can continue.

Chair Newton indicated that he will circulate the draft to all NSDTT members for approval.

Motion: Member Day moved that Chair Newton draft a letter to the RSDTT with the provisions detailed, and that the draft be circulated to all NSDTT members for approval.

Second: Member Sanderson

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

Motion: Member Day moved to adjourn the meeting.

Second: Member Sanderson

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

No dates were set for future NSDTT meetings.

Meeting adjourned at 7:45 p.m.

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

A digital recording of the Closed Session of this meeting was prepared in accordance with provisions outlined under Utah Code Section 52-4-206 but is not available to the public.

Minutes submitted by Linda Bullough