

**RECOMMENDATIONS TO CONSIDER
FOR DIVIDING JORDAN SCHOOL DISTRICT'S
ASSETS AND LIABILITIES**

*Presented to Transition Teams in a joint meeting Jan. 22, 2008,
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Transition Team Goal:

Consistent with Utah Code (53A-2-118.1) ...the transition teams shall determine the allocation of the existing district's property between the remaining district and the new district....in a fair and equitable manner to both districts.

Hopefully, this legislative intent would inspire transition teams to jointly develop and agree upon asset split formulas that are consistent with the law and to uniformly and consistently apply these formulas to as many district assets and liabilities as possible.

Criteria (per Utah Code 53A-2-118.1):

All property of the existing district, both tangible and intangible, real and personal, shall be allocated between the existing district and the new district in a way that is fair and equitable to both the existing district and the new district, taking into account:

(A) the relative student populations between the existing district and new district;

note: as of October 1, 2007, the student populations were as follows:

<u>East</u>	<u>West</u>	<u>District Total</u> (excl. Spec. Schools)
32,892	46,213	79,105
41.6%	58.4%	100.0%

(B) the relative assessed value of taxable property between the existing district and the new district;

note: as of tax year 2006, the assessed valuation of the Jordan School District was about \$25.67 billion. Of that total, about \$1.74 billion is considered "Unincorporated County" and was not allocated East or West by the Utah State Tax Commission. We have requested that the Utah State Tax Commission allocate the "Unincorporated County" by East and West, as soon as possible. However, for this illustration, we have used the known valuations by East and West and not included "Unincorporated County". This analysis would need to be corrected and updated for any final formula calculations. For illustrative purposes (in billions):

<u>East</u>	<u>West</u>	<u>District Total</u>
\$13.54	\$10.38	\$23.92
56.6%	43.4%	100.0%

(C) the historical amount of property used to deliver educational services to students in the existing district and the new district; and

(D) any other factors that the transition teams consider relevant in dividing the property in a fair and equitable manner.

Asset and Liability Categories:

1. Building Assets:

a) Community School Assets:

These properties include any school (and its contents) operating as a school and serving its local community. This definition is also expanded to include any new “community schools” currently under construction and/or any land designated for such school construction as part of the \$196 million bond issuance.

A community school is an asset of the district where it physically resides and no payment is required to the other district for this asset.

The Jordan Valley School does not meet the definition of a Community School. Jordan Valley is really a Common School as defined by the next section. However, Jordan Valley should be treated as a Community School because of the construction of the Kaurie Sue Hamilton School. The Jordan Valley School and Kaurie Sue Hamilton School are similar special education schools. The Hamilton school will be built with proceeds from the \$196 million bond sale. Therefore, it is recommended that both the Jordan Valley School and Hamilton school be treated as Community Schools for asset distribution purposes.

b) All Other Property Assets:

These properties include: common schools, administrative and ancillary buildings, vacant land, and other school properties not providing educational services to its local community.

Common schools serve the entire district. These properties include:
 Itineris Charter School
 Jordan Resource Center
 South Valley
 JATC – Sandy Campus
 JATC – West Jordan Campus
 Valley High

Exclusions to this list:

Jordan Valley
Kaurie Sue Hamilton

Administrative and Ancillary Buildings, include:

District Office
Auxiliary Services Building
East Side Bus Garage
West Side Bus Garage
Warehouse

Other Properties, include:

Vacant Land (and any buildings)
Cottonwood Heights Elementary
Mountview Elementary

This category of "All Other Property" includes buildings and property that should ultimately become the asset of the district where it resides. However, the district receiving such property, should pay the other district for these properties based on the individual property's appraised value as of June 30, 2009, and consistent with the agreed upon asset-split formula. If other rental and payment terms are mutually agreed upon by both districts, payments could be delayed.

2. Non-Property Assets:

These assets include: cash, investments, inventory, etc.

These assets are divided based on their value (appraised value, if necessary) as of June 30, 2009, and consistent with the agreed upon asset-split formula.

3. Liabilities:

Unless a specific liability is discussed elsewhere, general liabilities of the district should be divided consistent with the Asset-split formula adopted.

Upon agreement between the two districts, one of the districts may assume fiscal agent responsibility for certain joint long-term liabilities (e.g. post-employment retirement and insurance benefits). Details and costs related to reimbursement, independent verification, etc., to be worked out between the new districts.

Primary Asset-Split Formula:

Multiple options exist for dividing the district's assets and liabilities (excluding school buildings currently serving students and general obligation debt that is specifically discussed in the Utah Code). Some options to consider:

Option # 1:

Use a combination of assessed valuation and student enrollment. For example, divide assets and liabilities between the two districts according to the following formula:

- a) 50% of the value shall be split based upon the respective assessed valuations of each district as of June 30, 2009; and
- b) 50% of the value shall be split based upon the respective resident student enrollment of each district as of June 30, 2009.

Option # 2:

Use a formula that focuses on asset generation by Fund. All assets would be split based on the variables associated with how the monies were generated. Each Fund would be different because the monies generated for each fund are based on various criteria. This approach would require a review of each fund to analyze the source of funds, how and why the money was generated, etc. An example for the General Fund (from the 6-30-2007 CAFR) is below.

	<u>Revenue Source</u>	<u>Split Formula</u>	<u>Example</u>
<u>General Fund:</u> (all balances)		split formula as weighted by the variables below	
	1. Local Property Tax (excl. basic rate)	assessed valuation	13.5%
	2. State Funds (basic rate, wpu's, other State \$, etc.)	enrollment	80.3%
	3. Federal Funds	enrollment	6.2%
	4. Other Monies (interest, etc.)	same weighting of the three variables above	

Option # 3:

Use a formula that focuses on expenditures by Fund. All assets would be split based on the variables associated with how the monies are spent. Again, each Fund would be different because the monies are spent on various criteria. This

approach would require a review of each fund to analyze how the monies are spent. For example, in the General Fund expenditures could be calculated on a per student basis and then allocated based on Enrollment. Whereas in capital outlay (excluding new building construction), the monies are primarily spent based on individual school (location) needs and general repair categories throughout the district. The difficulty with this approach for Capital Outlay is that the percentage allocations based on new and existing district locations could vary widely for each year analyzed.

Unique Asset Formulas:

1. Bus Assets:

These assets include buses.

Buses will be divided based on the number of to and from miles driven within each district (per the bus routes submitted to the Utah State Office of Education). For example if 56% of the bus miles are for routes on the west-side, then the west-side would be entitled to 56% of the bus assets (both in number of buses and the book value of the buses).

2. District Vehicle (Non-Bus) Assets:

These assets include: maintenance vehicles, automobiles (not including driver's ed.), etc.

These assets are divided based on their book value (Blue Book value, if necessary) as of June 30, 2009, and consistent with the agreed upon asset-split formula.

3. School-based Vehicle Assets:

These assets include: driver's education vehicles, other trucks, trailers, etc., assigned to and located at a school.

These assets are considered part of the school and shall remain at the school.

4. General Obligation Debt:

Outstanding debt as of June 30, 2009 shall be divided per the Utah Code 53A-2-121, based on the relative assessed valuations of each district.

Transfer of Assets and Liabilities to the Districts:

The new and remaining districts shall assume control and responsibility of the June 30, 2009 Jordan School District assets and liabilities as soon as is reasonably possible after the completion of the June 30, 2009 independent audit report (CAFR) – unless agreements have been made by the new boards of education to do otherwise.

Other Issues for the Newly Elected Boards of Education to Consider:

It will be extremely difficult for the two new school districts to begin educational operations July 1, 2009, without significant cooperation, between the two newly elected school boards and the current Jordan School District Board of Education. Therefore, it is strongly recommended that the Transition Teams encourage and request that the new boards of education enter into inter-local agreements to resolve and address the following issues:

1. Two-Year Asset Transition Period for Selected Properties:

Acquiring the necessary office and facility space for district operations will be challenging. Here are some options for consideration:

Existing West-side District:

Allow the west-side district to continue using the existing Jordan School district office building, auxiliary services building, and warehouse for a period not to exceed two-years, beginning July 1, 2009 through June 30, 2011. The west-side district will compensate the east-side district \$xx,000 annually, as rent for these facilities. The west-side district will have financial responsibility for normal maintenance and upkeep of these facilities.

No later than July 1, 2011, these facilities located on the east-side will revert to east-side control. Also at this time, the east-side district will pay (as valued at June 30, 2009) the west-side district for these properties as determined by the agreed upon asset-split formula.

New East-side District:

The east-side transportation facility, Cottonwood Heights Elementary, and Mountview Elementary shall become the property of the east-side district on July 1, 2009. The east-side district will pay (as valued at June 30, 2009) the west-side district for these properties as determined by the agreed upon asset-split formula.

Should the east-side district decide to use any of these facilities as temporary administrative or ancillary housing through June 30, 2011, then, the east-side district may delay payment to the west-side for these facilities until July 1, 2011.

Under this scenario, the east-side district would compensate the west-side district \$xx,000 annually, as rent for these facilities. Also, the east-side district would have financial responsibility for normal maintenance and upkeep of these facilities.

The east-side district, at their sole discretion, may dispose of these properties or use these properties for school district operations.

2. Transition Period – July 1, 2008 – June 30, 2009:

The Utah Code lacks direction on how the two new districts will fund their respective operations during the July 1, 2008 through June 30, 2009 transition period. The Code fails to provide any taxing authority or revenue source for start-up operations. It is recommended that the two new school boards be authorized to draw down funds as necessary from the Jordan School District reserves, not to exceed \$10 million. Any funds so “borrowed” would be deducted from the final asset transfer as determined by the June 30, 2009, Jordan School District CAFR.

Any such borrowings as described in this section, would need to be formalized by an inter-local agreement between the Jordan School District and the borrowing district(s).

3. Access to Common Schools:

This document identifies Common Schools that will ultimately become the property of the district where the school resides once the split occurs. Even though the district receiving such schools will pay the other district for the school per the agreed upon formula, inter-local agreement(s) are necessary to ensure that all former Jordan School District students have access to these common schools and services for a reasonable period of time.

It is recommended that an inter-local agreement be reached by the two new boards of education that will give priority access to students residing in the former Jordan School District boundaries to attend these Common Schools for at least a three year period (beginning July 1, 2009). This proposed agreement should allow priority access for the other district’s students without limitation or discrimination. An agreed upon fee amount should be determined and charged to the non-resident district for each student that attends the other district’s school. Bus transportation to the school should be the responsibility of the sending district.

4. Jordan School District Records Retention:

The west-side district shall assume responsibility for storing, preserving, and protecting all Jordan School District records in existence through June 30, 2009. These records shall include all records as required by law for preservation or records retention.

The east-side district shall have unlimited access to these records as necessary and appropriate. The east-side district will compensate the west-side district \$xx,000 per year for this record retention responsibility. After July 1, 2019, the east-side district will not have any further annual financial responsibility to the west-side district for this service. The east-side district may continue to have access to these records per legal GRAMA access requirements. Any costs for access to these records will be based on necessary and actual costs as required to produce, copy, and provide the requested records to the east-side district.

5. Other Operational Agreements:

It is recommend that inter-local agreements be reached by the two new boards of education wherever possible and appropriate to maintain operational efficiencies. Suggested areas for consideration could include: warehousing, information systems, accounting, payroll, insurance, etc.

These inter-local agreements could be structured for a short-period of time to allow the east-side district to develop these operations on their own or for as long as the needs of both districts are being met.