HIGHLAND CITY COUNCIL SPECIAL MEETING

Tuesday, June 18, 2024

Approved August 6, 2024

Highland City Council Chambers, 5400 West Civic Center Drive, Highland Utah 84003

VIRTUAL PARTICIPATION

YouTube Live: https://www.youtube.com/live/_86t3NXYrJs?feature=shared

Email comments prior to meeting: council@highlandcity.org

5:00 PM SPECIAL MEETING

Call to Order – Mayor Mark Johnson, Lehi City
Invocation - Mayor Brad Frost, American Fork
Pledge of Allegiance - Mayor Kurt Ostler, Highland City

The meeting was called to order by Mayor Mark Johnson as a special session at 7:02 pm. The meeting agenda was posted on the Utah State Public Meeting Website at least 24 hours prior to the meeting. The prayer was offered by Mayor Brad Frost and those in attendance were led in the Pledge of Allegiance by Mayor Kurt Ostler.

PRESIDING: Mayor Mark Johnson

ELECTED OFFICIALS PRESENT:

Alpine:	Mayor Carla Merrill, Council Members Jason Thelin, Brent Rummler, Chrissy Hannemann
American Fork:	Mayor Brad Frost, Council Members Ryan Hunter, Ernie John, Clark Taylor, Tim Holley, Staci Carroll
Draper: (Virtual)	Mayor Troy Walker, Council Members Fred Lowry, Mike Green, Tasha Lowery, Bryn Heather Johnson
Cedar Hills:	Council Members Bob Morgan, Kelly Smith, Mike Geddes
Highland:	Mayor Kurt Ostler, Council Members Brittney P. Bills, Ron Campbell, Doug Cortney, Kim Rodela, Scott L. Smith
Lehi:	Mayor Mark Johnson, Council Members Chris Condie, Heather Newall, Paul Hancock, Paige Albrecht, Michelle Stallings

CITY STAFF PRESENT:

Alpine: City	Attorney Steve Doxey, City Administrator Shane Sorensen
American Fork:	Finance Director Anna Montoya, City Attorney Cheryl Egner, Assistant City Manager Camden Bird, City Administrator David Bunker
Cedar Hills:	City Attorney Hyrum Bosserman, City Manager Chandler Goodwin
Draper: (Virtual)	City Recorder Laura Oscarson, City Manager, David Dobbins, City Attorney Mike Barker, Chief of Staff Kellie Challburg, City Engineer Scott Cooley, Community Development Director Jannifer Jastremsky, Human Resources Director Malena Murray, Parks and Recreation director Rhett Ogden, Fire Chief Clint Smith, Network Manager Jake Sorensen, Finance Director John Vuyk, Special Event Coordinator Dvid Wilks

Highland: City Attorney Rob Patterson, City Administrator Erin Wells, Assistant City Administrator Jay Baughman, City Recorder Stephannie Cottle, Communications Specialist Brooklyn Wild, Fire Chief Brian Patten, Finance Director David Mortensen

Lehi: City Attorney Ryan Wood, Management Analyst Sierra Pierson, Communications Manager Jeanteil Livingston, Management Analyst Matt Lee, Deputy City Administrator Beau Thomas

OTHERS PRESENT:

Jon Hart, Audra Yocum, Julia King, Skyler Beltran, Wendy Hart, Wendy Jensen, Joylyn Lincoln, Amber Bonner, Molly Barrington, John Barrick, Jesse Riddle, Fred Philpot, Laura Lewis, Mimi Dutton (virtual), Alan Summerhays (virtual)

Lehi Mayor Johnson stated this is an historic event; he cannot recall a time when this type of joint Council meeting has been held. He believes the matter that is being examined tonight is something that is in the best interest of all communities that are party to it. He asked all participants to sign into the sign-in sheet in order for the City leaders to understand the level of participation. He provided an overview of the format of tonight's meeting as well as identified the future opportunities the public will have to provide input regarding this matter. A website has been created for this project – www.CentralSchoolDistrict.org. Any questions may be answered through that website. The information provided tonight will also be posted on that website.

The group then discussed public comments and debated whether a City should allow residents from another city to comment during the meeting in which their governing body is considering action on this matter. The Mayors participating in the meeting agreed that it will be up to each City to determine their public comment rules.

1. PRESENTATIONS – *Lewis Roberts Burningham*

Representatives from Lewis Roberts Burningham will present a Financial Feasibility Report on a possible school district creation involving Alpine, American Fork, Cedar Hills, Draper, Highland, and Lehi.

Laura Lewis of Lewis Roberts Burningham (LRB), Public Finance Advisors, used the aid of a PowerPoint presentation to summarize LRBs School District Feasibility Study; the feasibility study was initiated based on requirements of Utah Code Section §53G-3-102(4)(a)(ii). The scope of the feasibility study was within the discretion of the interlocal legislative bodies and tonight's analysis focuses primarily on the financial impacts of creating a new district. The analysis focused on the following elements:

- Enrollment and Taxable Value Analysis
- General Fund Financial Analysis
- Capital Projects Fund Financial Analysis
- Debt Service Fund Financial Analysis
- Summary of Tax Impacts

She summarized the base assumptions of the study, which is based upon enrollment in the Alpine School District (ASD) and the new Central District; these base assumptions formed the taxable value of the new Central District. She provided the following conclusions:

- New Central District enrollment and taxable value growth higher than Reorganized District.
- New District has a slightly higher taxable value per student relative to ASD
- Future taxable values will be influenced by actual new growth, new commercial development and any changes to the certified tax rate system.
- Future revenue from property taxes will be affected by establishment or promotion of redevelopment areas which could reduce tax revenues to school districts for a time to promote economic growth.
- Further analysis of these issues would shed additional light on the feasibility of the New District.

General Fund revenues are comprised of local, state, and federal funds:

- Local: New District projected to receive slightly higher local funds per pupil.
- State: New District projected to receive less funds due to higher local revenues and decreased revenues from State support programs.
- Federal: Equalized per pupil.

Base expenditures are based on several key factors: existing FY2024 ASD budget expenditures and growth rates, as well as updated revenue assumptions based on revised State worksheets; and identifying salaries and benefits from duplicated administrative full-time equivalent employees. There are two allocation scenarios based upon enrollment and facilities.

Scenario one expenditures are primarily driven by a percentage of enrollment. Instruction expense accounts for the largest portion of General Fund expenses. Inflation data and the weighted pupil unit (WPU) are used as the growth multiplier, with the following exceptions:

- Operation & Maintenance of Plant - % All Facilities
- District Administrative Functions - % of FTEs
- School Administrative Functions - % of Schools

Ms. Lewis presented a chart illustrating general fund revenues and expenses based upon funding scenario one and stated the conclusions are that the new district is projected to have a fund deficit with expenditures exceeding revenues. This deficit is projected to decrease over time due to higher local revenue generation.

Scenario two expenditures are primarily driven by a percentage of facilities and include inflation plus cost of new facilities with no WPU growth multiplier. Added operations and maintenance expenses are based on the new elementary school and administrative expenses are duplicated. Ms. Lewis presented an additional chart illustrating general fund revenues and expenditures based upon scenario two; the conclusions are that the new district is projected to have a larger fund deficit initially, with expenditures exceeding revenues. The deficit for scenario two is projected to decrease sooner than under scenario one.

Ms. Lewis then discussed capital project funding; the primary funding source for capital projects is local property tax and data indicates that ASD and the new district may be eligible for state support within enrollment programs; however, the ASD, new district, and the reorganized district will not be eligible for foundation programs. The analysis assumes the capital projects fund will have a positive balance, with revenues exceeding expenditures and there will be no tax increase for the Central District. Additionally, 100 percent of the proposed bond recommendations will be allocated to the debt service fund. There is outstanding debt associated with bonds dating back to 2014 and the assumption is that 45 percent of the debt would be allocated to the new district. Start-up costs for the new district include administrative costs, i.e., legal fees, moving costs, and unemployment insurance, as well as the computer/network system costs. The total new district start up costs are $7.69 million; 41 percent of the unassigned fund balance related to enrollment will be allocated to the new district, leaving a bonding need of $2.55 million. Ms. Lewis summarized bonding needs based upon data provided for ASD; ASD bonding needs are $512 million, while the new district and reorganized district would have bonding needs of $112 million and $125 million, respectively, and each would have a 20-year term.

She concluded her presentation by summarizing the following financial impacts:

- The General Fund will likely result in a deficit but may overcome the deficit within/beyond the study period.
- There is a surplus possible for capital outlay.
- Debt service will be reduced due to less of a need for new bonding.

- Property tax implications for scenarios one and two fluctuate slightly, but under both scenarios, property owners will likely experience tax savings when compared to taxation for ASD; under scenario one, the tax impact per household slightly increases annually.

Highland Mayor Ostler stated that Ms. Lewis's presentation included start-up costs for the Central District, but not for the reorganized district and he asked for an explanation of that. Ms. Lewis stated the reorganization district is 'already going' so there are no start-up costs for that. Mayor Ostler asked if the current ASD bonds have a term of 10 years rather than 20 and if that is why debt service costs for the new district are lower. Ms. Lewis answered yes to both questions.

Highland Council Member Smith stated Ms. Lewis's presentation indicated the Central District will assume 45 percent of ASD's debt; he asked what that equates to in a dollar amount. Ms. Lewis stated she does not have that information but will provide it as soon as possible.

American Fork Council Member Holley asked Ms. Lewis if her data was compared to updated ASD data after they recently published financial data. Ms. Lewis answered no.

Alpine Council Member Hannemann asked if it is legal for a school district to operate with a deficit or if it will be necessary to immediately raise taxes or perform a reduction in force to eradicate the deficit. Ms. Lewis stated that districts must operate with a balanced budget; she believes ASD will need to correct the deficit before the new district is created. The purpose of reporting the deficit is to provide clear information regarding the financial implications of creating a new district. She clarified that ASD, and the new district could legally draw from their fund balances to cover a deficit.

Lehi Council Member Hank asked if the start-up projections take into consideration the fact that some of ASD's bond debt will be retired very soon after the creation of the new district. Ms. Lewis stated that she will ask for an answer to that question from her colleague, Fred Philpot. Mr. Philpot stated that the financial models account for the retirement of some of the debt; however, he has only performed financial projections through 2029, and the model only includes debt through 2035. The current total debt is $487 million.

Alpine Mayor Merrill stated that her understanding is that if the interlocal agreement pertaining to the creation of a new district is approved this year, it will take three years to proceed with the creation. Rather than using actual years/dates, it would be more appropriate to list financial implications in terms of year one, year two, and year three. Ms. Lewis agreed.

Lehi Council Member Newell asked if the financial model takes into consideration the option that the new district will not be created and only ASD and the reorganized district will be in place. Ms. Lewis answered no, but models could be created around that scenario.

American Fork Council Member Holley asked if LRB has identified any red flags or reasons that the cities should not proceed with creation of a new district. Ms. Lewis stated she has not discovered any red flags, but personally she feels that a district that is the size of just one city would be too small. In her research on this matter, she recalls hearing that a school district with a population of 45,000 to 60,000 is the best size, but she cannot find data to support that recollection. She did find a study from the University of Chicago that concluded there is no perfect size for a district. She feels that the size of the new district would be good based upon the population of the cities that are working together; there is good geographical alignment and balanced demographics. Mr. Philpot added that the purpose of the LRB study was to examine the financial and tax implications for the cities that would be part of the new district. One consequence that is difficult to quantify is the nature of funding and allocation of costs; there may be an allocation of costs that is skewed to one area of the district versus another and that can create some concerns. However, the entity will be in place for some time and the nature of the capital investment and debt service will ebb and flow and there will be many changes over time that will influence these matters.

Ms. Lewis stated there are some school programming issues to consider, but LRB does not have expertise in house to consider those matters.

Lehi Council Member Stallings asked if the outstanding debt is based upon taxable value. Ms. Lewis answered yes. Council Member Stallings asked if that could change based upon the timing of bond issuance. Mr. Philpot stated he is currently unsure how to interpret the State statute relating to the allocation of debt moving forward; there may be some need to negotiate the debt allocation but based upon his understanding of the statute he arrived at the 45 percent number being assigned to the new district.

American Fork Mayor Frost asked if there was any collaboration with MGT Consulting to determine if their interpretations were different than those of LRB. Mr. Philpot stated he has received some of their data, but he did not collaborate with them directly.

Lehi Mayor Johnson stated it is his and Highland Mayor Ostler's understanding that the hired consultants must offer a recommendation regarding this matter. Ms. Lewis stated it is the recommendation of LRB that it is viable for the Central District to be created based upon LRB's analysis.

Alpine Council Member Hannemann disclosed that she was a member of the ASD School Board for eight years; she noted that Ms. Lewis's slide 19 referred to an unrestricted fund balance, which was viewed as a 'rainy day fund' by ASD. Ms. Lewis stated that if the district is divided, it would not be appropriate to leave that 'rainy day fund' with the current school district. The portion that would be allocated to the new district would be allocated to start-up costs.

American Fork Council Member Taylor referenced Mayor Merrill's comment that it can take up to three years to create the new district, but his understanding was that the time frame was actually two years. He asked for a definitive answer on the start-up timeline. The answer that was provided was 32 months from the election.

Mayor Mark Johnson thanked representatives Laura Lewis and Fred Philpot from Lewis Young Burningham and elected officials for attending the meeting.

ADJOURNMENT

The meeting adjourned at 6:35 pm.

I, Stephannie Cottle, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on June 18, 2024. This document constitutes the official minutes for the Highland City Council Special Meeting.

Stephannie Cottle, CMC
City Recorder

Welcome to the Highland City Council Special Meeting

June 18, 2023

Please Sign the Attendance Sheet

HIGHLAND CITY

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PUBLIC HEARINGS

Alpine	American Fork	Cedar Hills	Draper	Highland	Lehi
Tuesday July 9, 2024 6:00 pm	Tuesday July 9, 2024 7:00 pm	Tuesday July 16, 2024 6:00 pm	Tuesday July 2, 2024 7:00 pm	Tuesday July 2, 2024 7:00 pm	Tuesday July 9, 2024 7:00 pm
Tuesday July 23, 2024 6:00 pm	Tuesday July 23, 2024 7:00 pm	Tuesday July 30, 2024 5:00 pm	Tuesday, July 16, 2024 7:00 pm	Tuesday July 16, 2024 7:00 pm	Tuesday July 23, 2024 7:00 pm

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CENTRAL SCHOOL DISTRICT WEBSITE

https://centralschooldistrict.org

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LRB PUBLIC FINANCE ADVISORS

LEWIS | ROBERTSON | BURNINGHAM

CITIES OF LEHI, HIGHLAND, ALPINE, CEDAR HILLS, AMERICAN FORK, AND DRAPER

SCHOOL DISTRICT FEASIBILITY STUDY

JUNE 18, 2024

HIGHLAND CITY HALL
5400 W CIVIC CENTER DRIVE
HIGHLAND, UT 84003

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BACKGROUND

- **A feasibility study was initiated based on requirement of Utah Code Section §53G-3-102(4)(a)(ii).**
- **The scope of the feasibility study is within the discretion of the interlocal legislative bodies.**
- **This analysis focuses primarily on the financial impacts of creating a new district.**
- **Reorganized District results assume New West District creation**

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METHODOLOGY

- **ANALYSIS FOCUSED ON THE FOLLOWING ELEMENTS:**
  - **Enrollment and Taxable Value Analysis**
  - **General Fund Financial Analysis**
  - **Capital Projects Fund Financial Analysis**
  - **Debt Service Fund Financial Analysis**
  - **Summary of Tax Impacts**

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BASE ASSUMPTIONS

ENROLLMENT

	ASD		New Central District		Reorganized District		New District % of Total	Reorganized District % of Total
	Enrollment	WPUs	Enrollment	WPUs	Enrollment	WPUs		
2023	84,668	81,170	**34,812**	**33,374**	25,672	24,611	**41.12%**	30.32%
2024	84,250	83,939	**34,606**	**34,478**	24,964	24,872	**41.08%**	29.63%
2025	85,252	84,937	**35,078**	**34,948**	24,632	24,542	**41.15%**	28.89%
2026	86,323	86,005	**35,579**	**35,448**	24,311	24,221	**41.22%**	28.16%
2027	87,466	87,144	**36,111**	**35,978**	24,000	23,911	**41.29%**	27.44%
2028	88,682	88,355	**36,674**	**36,539**	23,698	23,610	**41.35%**	26.72%
2029	89,973	89,641	**37,269**	**37,131**	23,405	23,319	**41.42%**	26.01%

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BASE ASSUMPTIONS

TAXABLE VALUE

	ASD	New Central District	Reorganized District	New District % of Total	Reorganized District % of Total
2025	$55,064,613,951	**$24,662,757,432**	$18,940,115,371	**46%**	34%
2026	$56,816,136,543	**$25,402,640,155**	$19,034,815,948	**45%**	34%
2027	$58,663,684,263	**$26,164,719,359**	$19,129,990,028	**45%**	33%
2028	$60,613,793,784	**$26,949,660,940**	$19,225,639,978	**45%**	32%
2029	$62,673,491,241	**$27,758,150,768**	$19,321,768,178	**45%**	31%
AACR	**3.29%**	**3.00%**	**0.50%**		

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BASE ASSUMPTIONS

- **New Central District enrollment and taxable value growth higher than Reorganized District.**
- **New District has a slightly higher taxable value per student relative to ASD**
- **Future taxable values will be influenced by actual new growth, new commercial development and any changes to the certified tax rate system.**
- **Future revenue from property taxes will be affected by establishment or promotion of redevelopment areas which could reduce tax revenues to school districts for a time to promote economic growth.**
- **Further analysis of these issues would shed additional light on the feasibility of the New District.**

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GENERAL FUND

- **REVENUES COMPRISED OF LOCAL, STATE AND FEDERAL FUNDS:**
  - **Local: New District projected to receive slightly higher local funds per pupil.**
  - **State: New District projected to receive less funds due to higher local revenues and decreased revenues from State support programs.**
  - **Federal: Equalized per pupil.**

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GENERAL FUND

- **BASE EXPENDITURES ARE BASED ON SEVERAL KEY FACTORS:**
  - **Existing FY2024 ASD budget expenditures and growth rates, as well as updated revenue assumptions based on revised State worksheets; and,**
  - **Identifying salaries and benefits from duplicated administrative full-time equivalent employees**
    - **Two Allocation Scenarios: Enrollment & Facilities**

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GENERAL FUND

SCENARIO ONE EXPENDITURES:

- **Primarily driven by % of Enrollment**
  - Instruction expense accounts for largest portion of General Fund expense
- **Inflation and WPU Growth Multiplier**
- **Duplicate adminstrative expense**
- **Exceptions:**
  - Operation & Maintenance of Plant - % All Facilities
  - District Administrative Functions - % of FTEs
  - School Administrative Functions - % of Schools

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GENERAL FUND

NEW DISTRICT UNDER SCENARIO 1

	Total GF Revs	GF Revs per Student	Total GF Expense	GF Expense per Student	Net GF	Net GF per Student
2025	$348,225,143	$9,927	$355,054,804	$10,122	($6,829,660)	($195)
2026	$362,213,558	$10,181	$368,845,241	$10,367	($6,631,683)	($186)
2027	$377,500,735	$10,454	$383,184,751	$10,611	($5,684,016)	($157)
2028	$393,672,883	$10,734	$398,095,597	$10,855	($4,422,714)	($121)
2029	$410,811,559	$11,023	$413,600,958	$11,098	($2,789,399)	($75)

- The New District is projected to have a fund deficit, with expenditures exceeding revenues.
- The deficit is projected to decrease over time due to higher local revenue generation.

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GENERAL FUND

SCENARIO TWO EXPENDITURES:

- Primarily driven by % of Facilities (MGT/ASD Allocation)
- Inflation + New Facilities (No WPU Growth Multiplier)
- Added O&M expense based on new elementary school
- Duplicate administrative expense

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BASE ASSUMPTIONS

NEW DISTRICT UNDER SCENARIO 2

	Total GF Revs	GF Revs per Student	Total GF Expense	GF Expense per Student	Net GF	Net GF per Student
2025	$348,225,143	$9,927	$357,221,191	$10,184	($8,996,048)	($256)
2026	$362,213,558	$10,181	$371,481,067	$10,441	($9,267,509)	($260)
2027	$377,500,735	$10,454	$379,541,605	$10,510	($2,040,871)	($57)
2028	$393,672,883	$10,734	$387,789,982	$10,574	$5,882,901	$160
2029	$410,811,559	$11,023	$396,230,727	$10,632	$14,580,833	$391

- The New District is projected to have a larger fund deficit initially, with expenditures exceeding revenues.
- The deficit is projected to decrease sooner.

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CAPITAL PROJECTS

- **CAPITAL PROJECTS FUND REVENUES:**
  - Primary Funding Source is Local Property Tax
  - The data indicates ASD and the New District may be eligible for state support within the Enrollment programs
  - ASD, New District, and Reorganized District will not be eligible for Foundation programs

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CAPITAL PROJECTS

- **CAPITAL PROJECTS FUND EXPENDITURES:**
  - Analysis assumes Capital Projects Fund will have a positive balance, with revenues exceeding expenditures.
  - No tax increase for Central District
  - Allocated 100 percent of the proposed bond recommendations to the Debt Service Fund

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DEBT SERVICE FUND

- **Outstanding Debt**
  - Series 2014
  - Series 2017 Refunding
  - Series 2017A
  - Series 2017B
  - Series 2019
  - Series 2019B
  - Series 2021
  - Series 2021B
  - Series 2022
- **Assumes 45% allocated to New District**

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DEBT SERVICE FUND

START-UP COSTS

Legal fees, moving costs, unemployment insurance, etc.*	$3,937,299
Computer / Network System*	$3,758,934
Total New District Start-up Costs	**$7,691,233**
41% Unassigned Fund Balance (Enrollment)	**$5,134,421**
Total Start Up Bonding Needs	**$2,556,812**

***Inflationary estimates from previous feasibility studies**

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DEBT SERVICE FUND

PROPOSED NEW BONDING NEEDS (BASED ON ASD)

	ASD	New Central District	Reorganized District
Start Up Funds	$0	**$2,556,812**	$0
High School Buildings	$155,000,000	**$0**	$0
Middle School Buildings	$0	**$0**	$0
Elementary Buildings	$140,000,000	**$35,000,000**	$0
Renovation and Remodel	$200,000,000	**$75,000,000**	$125,000,000
Land	$9,000,000	**$0**	$0
Additional Projects	$8,000,000	**$0**	$0
Total	**$512,000,000**	**$112,556,812**	**$125,000,000**

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DEBT SERVICE FUND

- **$112M Bond**
- **Longer Term Structure (20 Years)**

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SUMMARY OF FINANCIAL IMPACTS

- **General Fund will likely result in a deficit but may overcome the deficient within/beyond the study period**
- **Capital Outlay surplus possible**
- **Debt Service reduction due to less of a need for new bonding**

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SUMMARY OF TAX IMPACTS

CENTRAL DISTRICT TAX IMPACT RELATIVE TO ASD (GENERAL FUND EXPENSE SCENARIO 1)

	Tax Rate Needed	Tax Per Household ($500,000 Residential) Annually	Tax Per Household ($500,000 Residential) Monthly
2025	(0.000385)	($105.88)	($8.82)
2026	(0.000359)	($98.73)	($8.23)
2027	(0.000330)	($90.75)	($7.56)
2028	(0.000299)	($82.23)	($6.85)
2029	(0.000268)	($73.70)	($6.14)

Property owners will likely experience tax savings as compared to ASD

However, tax impact per household slightly increases annually

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SUMMARY OF TAX IMPACTS

CENTRAL DISTRICT TAX IMPACT RELATIVE TO ASD (GENERAL FUND EXPENSE SCENARIO 2)

	Tax Rate Needed	Tax Per Household ($500,000 Residential) Annually	Tax Per Household ($500,000 Residential) Monthly
2025	(0.000069)	($18.98)	($1.58)
2026	(0.000185)	($50.88)	($4.24)
2027	(0.000602)	($165.55)	($13.80)
2028	(0.000719)	($197.73)	($16.48)
2029	(0.000701)	($192.78)	($16.06)

Property owners will likely experience tax savings as compared to ASD

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QUESTIONS

Lewis Young Robertson & Burningham is now LRB Public Finance Advisors

PUBLIC FINANCE ADVISORS

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