

New City School District Comprehensive Feasibility Study for the City of Orem

July 12, 2022



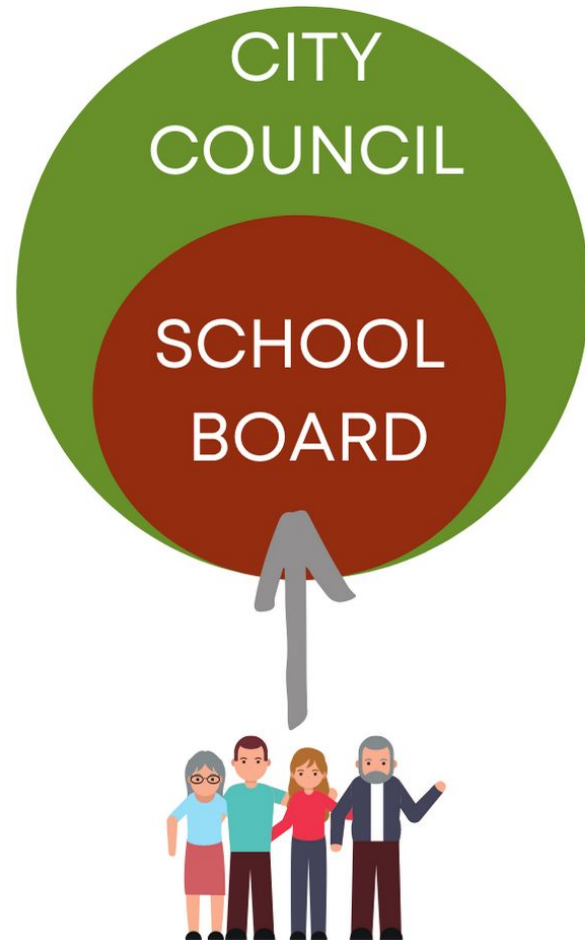
DEC Consulting Services LLC

Table of Contents

- **Executive Summary**
- **Timeline** of Alpine School District (ASD) Split and New City school district studies (20 years of discussion)
- Chapter 1: **Financial Evaluation**
- Chapter 2: **Student Test Scores**, Student Achievement, Title I
- Chapter 3: 2022 & 2016 FEMA “**Earthquake Safety**” Studies
- Chapter 4: ASD **Teacher & Administrator Salaries**
- Chapter 5: **Class Size** and Student to Teacher Ratios
- Chapter 6: Student Accessibility to ASD **Specialty Classes**
- Chapter 7: Research Review of **School District Size & Optimal Enrollment**
- Chapter 8: **Trends to Consolidate** Two or More Schools into One Large School
- 2004 New Pioneer School District Feasibility Study – Utah County Commissioners
- History of the Canyons/Jordan Split & Resulting Tax Impact
- **Vineyard & Lindon** – Prospect of Students Attending New District Schools
- High Schools’ in New District and Continued Participation in **UHSAA Activities**
- Proposed New District Organizational Chart
- New District Boundary Map
- How Funding Works for Utah Public School Education

FUTURE ACCOUNTABILITY STRUCTURE

CONSTITUENT CONCERNS



DOUBLE LAYER OF ACCOUNTABILITY

Elected municipal school board members have full responsibility of the school district, but they share in accountability with the elected city council.

Bases for Forecast & Assumptions

- A New District in Orem is feasible assuming the same level of services;
- Orem property values are projected to be financially sustainable;
- Forecast Assumptions:
 - Maintain current level of spending
 - Grow future expenditures based on 100-year average CPI (3.2%)
 - School direct
- Total property tax dollars collected are expected to be consistent, growing slightly each year

Property Tax Assessment Process

Estimated Budget

-Federal Revenue (per student)

-State Revenue (per student)

-Local Revenue

-Interest Income

= Property Tax Requirement

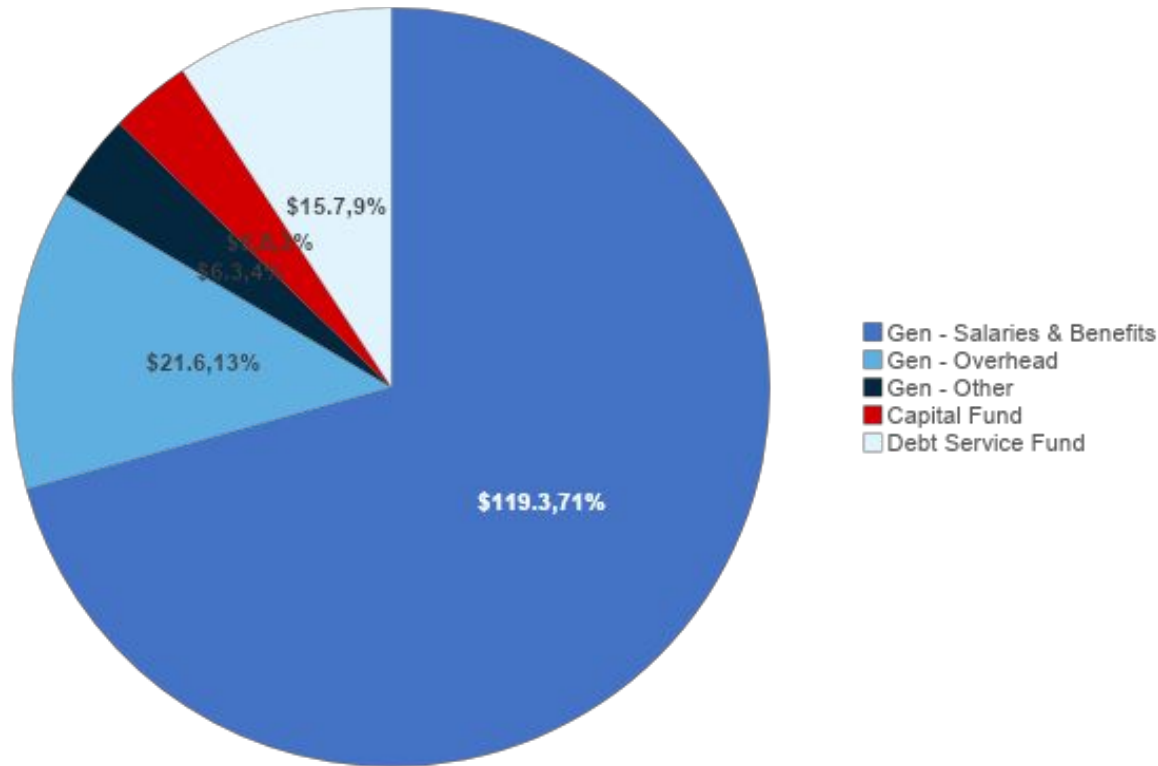
Forecasted 2023 Expenditures & Revenues

Forecasted 2023 Expenditures	
Salaries & Benefits	\$119.3M
Outside Services	1.5M
Supplies/Equip/Other	4.8M
Overhead	21.6M
Total General Fund	\$147.3M
Capital Fund	5.8M
Debt Service Fund	15.7M
Total Expenditures	\$168.8M

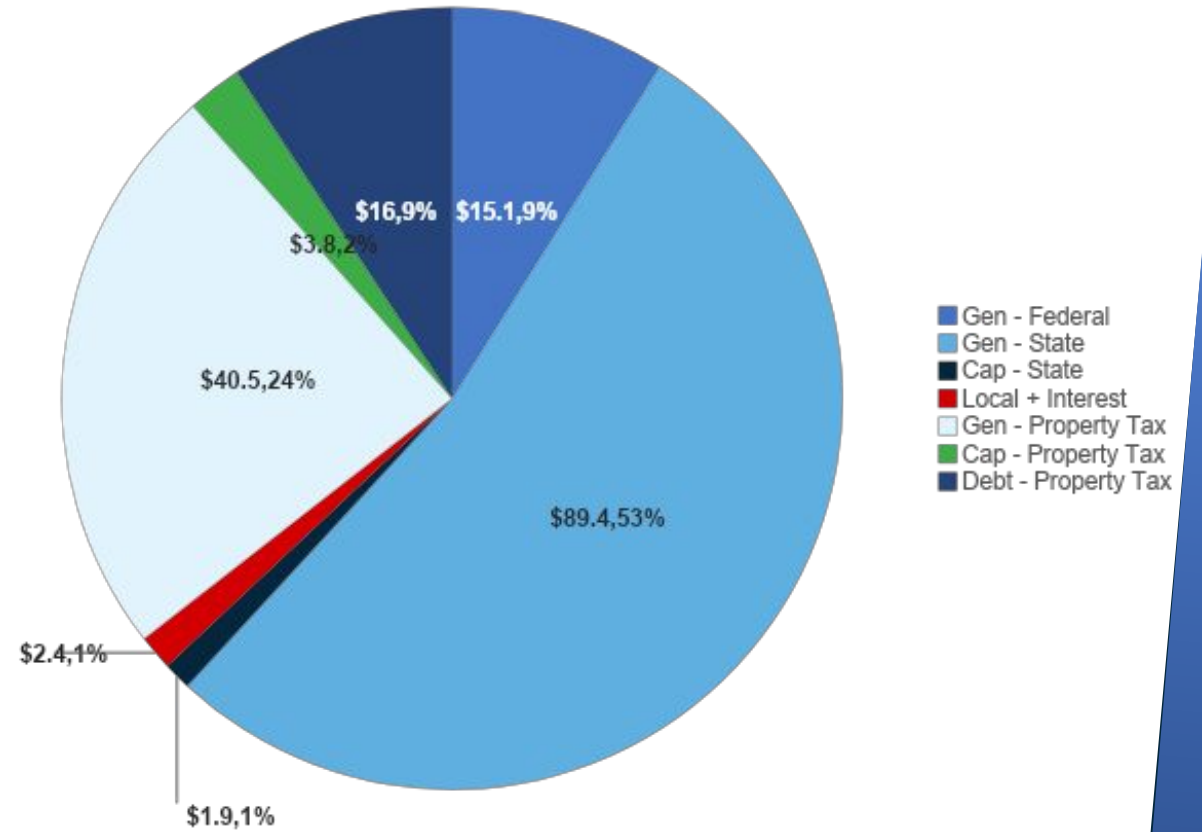
Forecasted 2023 Revenues	
Federal Revenues	\$15.1M
State Revenues – General	89.4M
State Revenues – Capital	1.9M
Local Revenues	2.1M
Interest Income	0.3M
<i>Property Tax – General</i>	40.5M
<i>Property Tax – Capital</i>	3.8M
<i>Property Tax – Debt Service</i>	15.7M
Total Property Taxes	\$62.0M
Total Revenues	\$168.8M

2023 Forecasted General, Capital, & Debt Fund

2023 Forecasted expenditures



2023 forecasted revenues



Title I Considerations

- Expenses for Title I schools have been included in forecast at their current levels
- Expenses for Title I schools have been increased over time based on a CPI increase of 3.2% each year

Enrollment	ASD	New	Remaining
Total	85,554	14,724	70,993
Disadvantaged	14,957	4,628	10,329
% Disadvantaged	17.5%	31.4%	14.5%

District	2021 Title I Revenues	2021 Title I Expenditures
New District*	\$2,097,806	\$5,649,833
Remaining ASD	\$4,076,672	\$1,167,886
Total	\$6,174,478	\$6,817,719

*Estimated Title I revenues for 2023 = \$2.95M

New District Overhead

- Forecasted Overhead to be \$1,485* per student in 2023
- Total Overhead budget would be \$21.6M
- Overhead expenditures would include:
 - Salaries and Benefits for Administration and Staff
 - Supplies and Maintenance Expenses
 - Outside Services Expenses

*Based on total expense and category at ASD

Orem Total Student Enrollment

SCHOOL SYSTEM	2006 ENROLLMENT	2021 ENROLLMENT
Orem Public Schools (ASD)	15,119	14,724
Maeser*	161	625
Noah Webster	500	512
UCAS	332	639
Arches	0	103
Homeschool	N/A	1,044
	16,112	17,647
Growth		5.4%
Students Not in Public Schools (%)	6.2%	16.6%

*On border with Lindon. Numbers exclude Orem students attending Timpanogos Academy.

ASD Enrollment Trend

SCHOOL SYSTEM	2010 ENROLLMENT	2021 ENROLLMENT	Growth %
ASD Public Schools	66,100	83,999	27.1%
Charter Schools	6,711	11,245	67.6%
Homeschool*	N/A	5,890	
American Heritage	N/A	1,070	
	16,696	17,647	
Students Not in Public Schools (%)	9.2%	17.8%	

*ASD GRAMA request for 2021 (estimated for 2006)

Historical Bond Overview

- From 2002 to 2021, Orem property taxes paid for 28% (on average) of the bond payments
- The impact of a \$595M bond would be as follows:
 - Orem taxpayers would pay \$116M (19.4%)
 - Based on historical allocations, Orem receives \$79M (13.3%)
 - Orem loses \$37M

Orem Property Tax History 2002 - 2021

Property Taxes Paid by Orem (28% of total)	\$910M
Less: Allocations from General Fund	<u>(\$617M)</u>
Allocations to Capital and Debt Fund	\$293M
Less: Investment in Orem Schools (13% of total)	<u>(\$163M)</u>
Taxes Allocated Outside of Orem Schools	\$130M

Average Annual Property Tax Per \$450,000 Residence Over Ten Years

Scenario	Assumptions	ASD	New District	Remaining ASD
Baseline	No Split/No Bond	\$1,591		
1	No Split/\$595M Bond	\$1,794		
2	Split/No Bond		\$1,647	\$1,507
3	Split/\$595M ASD Bond		\$1,647	\$1,759
4	Split/\$125M + \$595M Bonds		\$1,866	\$1,759

Scenario 3: District Split & Remaining ASD Bond

- New District issues no bond
- Remaining ASD issues a \$595M bond
- New District property taxes increase 4.2% compared to baseline
- Remaining District property taxes increase 15.9% compared to baseline

Scenario 4: District Split & New Bonds

- New District issues a \$125M bond
- Remaining ASD issues a \$595M bond
- New District property taxes increase 17.9% compared to baseline
- Remaining District property taxes increase 15.9% compared to baseline
- New District retains 100% of bond proceeds

FEMA and Building Safety

In August 2006 *Seismic Vulnerability Assessment* found 10 schools in Orem had poor and very poor seismic issues.

In February 2022, the State of Utah & FEMA found that 3 Orem schools identified in the 2006 Assessment remained unsafe and un-remediated (Orem Jr. High, Sharon, Windsor) plus 6 more ASD Orem schools). **9 total**

ASD Schools	Date Built	Seismic Rating	Title I School	Rank*	Date of Remediation
Sharon Elem (Title I)	1954	Very Poor	yes	34, 38	not remediated
Windsor Elem (Title I)	1956	Very Poor	yes	30,40	not remediated
Orem Jr High (Title I)	1963	Very Poor, Poor	yes	16, 25, 27, 32	only 32 (the gym)
Cascade Elem	1967	Poor	no	36, 55	2020 (rebuilt)

- Data taken from *2006 Seismic Vulnerability Study* released by Alpine School District (ASD) - Page 11, Table 3.
- ASD schools were ranked in the following order: Good, Fair, Poor, Very Poor.
- ASD schools were ranked by severity, with #1 most dangerous and # 57 least dangerous.
- “The structures rated Poor & Very Poor **were also prioritized according to the risk of loss of life** using a system of weighed structured categories”.(2006 Seismic Vulnerability Study - Executive Summary)

Scenario 5: District Split + New District Bond for FEMA & Remaining ASD Bonds for \$595M

- New District issues a \$25M bond to address FEMA remediation (Sharon/Windsor/Orem JH)
- Remaining ASD issues a \$595M bond
- New District property taxes increase 6.5% compared to baseline
- Remaining District property taxes increase 15.9% compared to baseline
- New District retains 100% of bond proceeds

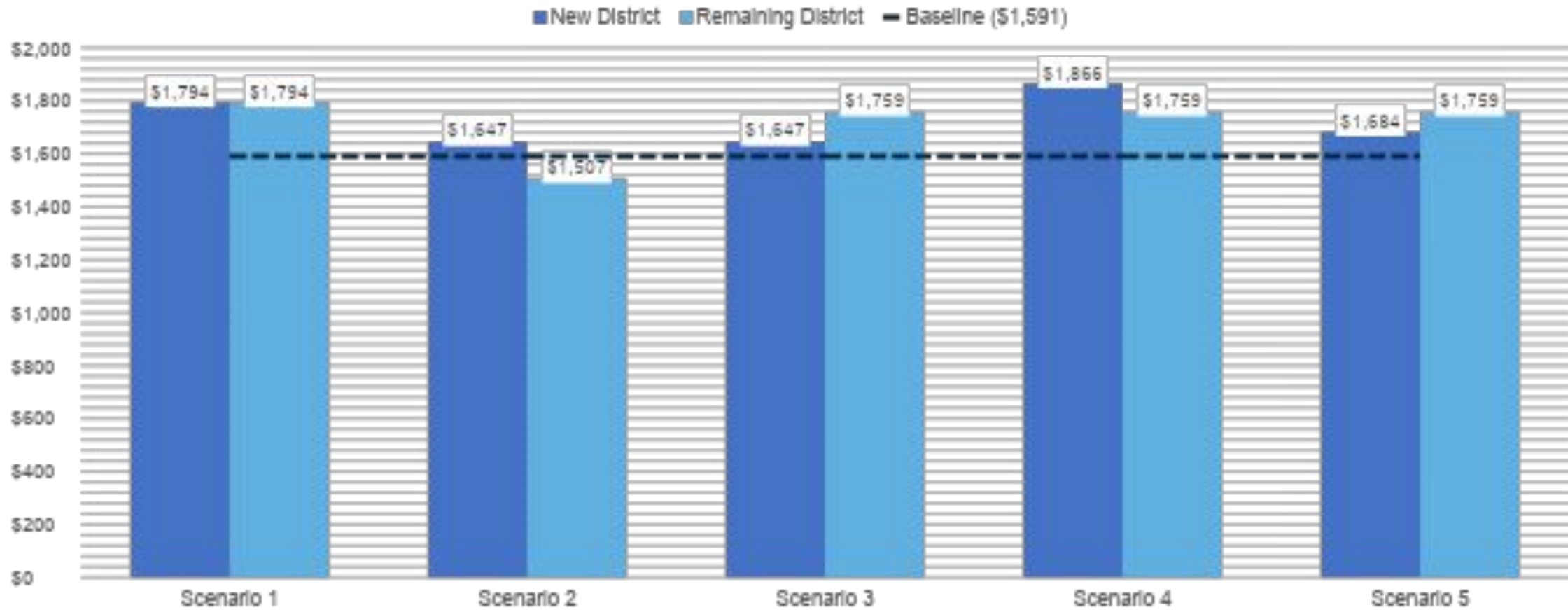
Scenario 6: District Split + New District Bond for FEMA + New District Adds \$4M to General Fund & Remaining ASD Bonds for \$595M

- New District issues a \$25M bond + raises taxes to equal increase of 12.8% in Scenario 2 (No Split + \$595M Bond)
- Remaining ASD issues a \$595M bond
- **Tax increase provides \$4M yearly to New District General Fund:**
 - **Hire more teachers to decrease class size**
 - **Increase compensation to teachers**
- New District property taxes increase 12.8% compared to baseline
- Remaining District property taxes increase 15.9% compared to baseline
- New District retains 100% of bond proceeds and the \$4M annual increase in General Fund

Average Annual Property Tax Per \$450,000 Residence Over Ten Years

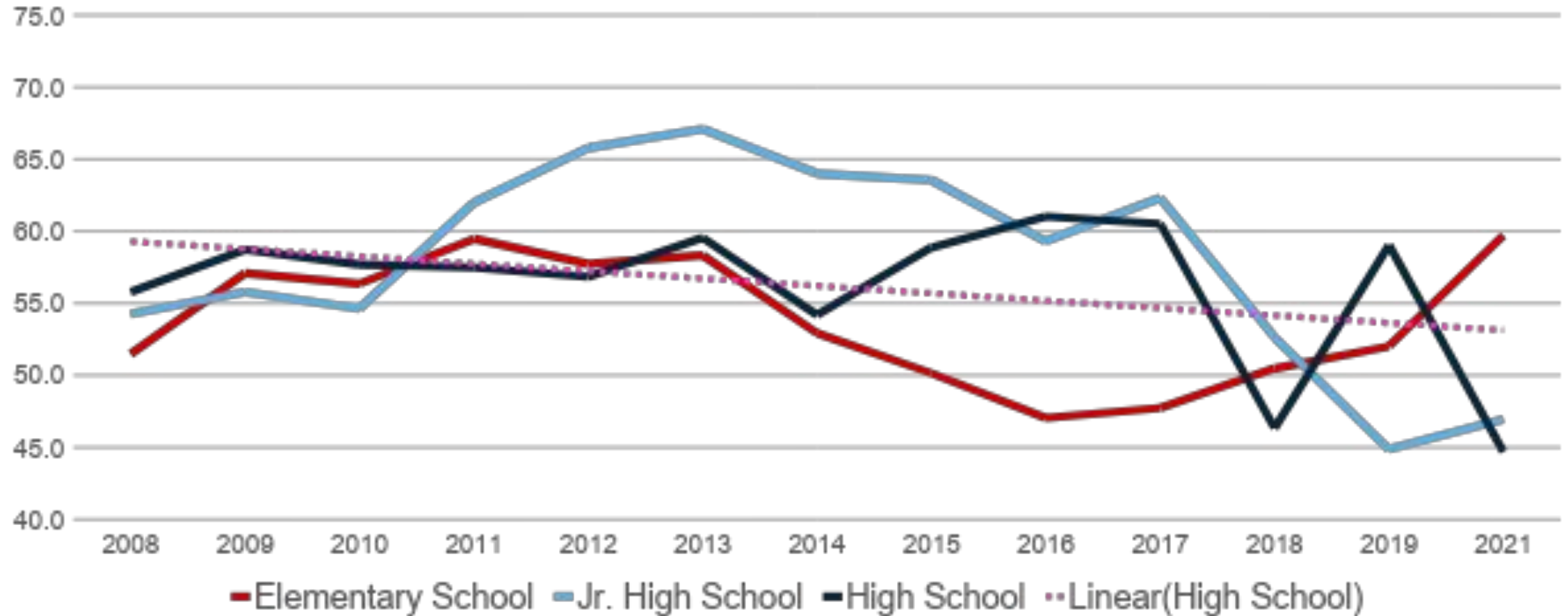
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2	Split/No Bond		\$1,647	\$1,507
3	Split/\$595M ASD Bond		\$1,647	\$1,759
4	Split/\$125M + \$595M Bonds		\$1,866	\$1,759
5	Split/\$25M + \$595M Bonds		\$1,692	\$1,759

Estimated Household Property Tax*



*Based on a residence valued at \$450,000

Orem Test Score Decline – 2017, 2018, 2019, 2021



Test Score Analysis

Orem high school test scores are in a free-fall, indicating severe systemic issues. Since 2017, the scores for Orem high schools have ***dropped 11.2%*** (47.8% to 36.6%). ASD's average ***dropped 2.3%*** (53.4% to 51.1%), while the Utah state average ***increased 7.3%*** (40.8% to 48.1%).

Orem junior/middle school test score decline since 2017 is also critical, ***dropping 8.6%*** (49.0% to 40.5%). ASD's middle school scores ***dropped 6.8%*** (53.2% to 46.4%), while the Utah state average ***decreased 3.7%*** (44.9% to 41.2%).

Orem elementary school scores since 2017 have **increased 1.2%** (45.9% to 47.1%). ASD's elementary school average ***dropped 1.9%*** (53.9% to 52.0%), while the Utah state elementary average ***dropped 4.5%*** (48.1% to 43.5%).

Gap between salaries of ASD Teachers and Administrators

- 29 ASD District Office Administrators earn a total of \$5.2 million annually
- ASD has one of the largest disparities in Utah between average teacher salary compared to the average administrator salary. ASD average teacher salary: **\$54,965**. ASD average administrator salary: **\$101,135**.
- A difference of **\$46,170**
- Research shows a direct correlation between teachers' salaries and student achievement.

Local Representation

- A new district will have 7 elected school board members who live in Orem and will represent local communities.
- All tax revenue will stay in Orem.
- Local representation regarding decisions within the following areas should be considered:
 - District structure and budget
 - Teacher compensation and benefits
 - Class size and student to teacher ratio
 - Capital investment (new buildings, remodels, FEMA safety, etc.)
 - Quality of education (test scores, specialty programs, etc.)