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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

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**

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**

BASE ASSUMPTIONS

ENROLLMENT

	ASD		NEW CENTRAL DISTRICT		REORGANIZED DISTRICT		NEW DISTRICT % OF TOTAL	REORGANIZED DISTRICT % OF TOTAL
	ENROLLMENT	WPU _s	ENROLLMENT	WPU _s	ENROLLMENT	WPU _s		
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%

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%
AAGR	3.29%	3.00%	0.50%		

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.**

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.

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**

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 administrative expense**
- **Exceptions:**
 - Operation & Maintenance of Plant - % All Facilities
 - District Administrative Functions - % of FTEs
 - School Administrative Functions - % of Schools

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.

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**

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.

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****

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**

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**

DEBT SERVICE FUND

START-UP COSTS

Legal fees, moving costs, unemployment insurance, etc.*	\$3,932,299
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

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

DEBT SERVICE FUND

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

SUMMARY OF FINANCIAL IMPACTS

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

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

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

QUESTIONS

FRED PHILPOT | VICE PRESIDENT/COO

FRED@LRBFINANCE.COM

📞 801.596.0700 | 📠 801.243.0293

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