

WASATCH
WAVE

JUNE 20, 2007

Tax Rate for New High School Plummet

When Wasatch County residents approved a \$59.5 million bond to build a new high school last November, they did so with the understanding that their tax liability would be \$78.82 for each \$100,000 of assessed value on a residence. With the average cost of a home in the county being listed at over \$250,000, voters expected their tax increase to be somewhere in the area of \$200 or more per residence.

The reality of the tax rate has changed substantially since last fall's election, as the anticipated tax increase to fund the new high school will be only \$15 for each \$100,000 of assessed value. That means the taxes on a \$250,000 house will come in around \$38 instead of the \$200 that was approved by the voters.

"There are three main reasons for the strong drop in the tax burden for residents," said Keith Johansen, Wasatch County School District Business Administrator.

"First is the incredible growth that we have seen in the valley. That has increased the total assessed value of the county, spreading the tax burden over a wider population.

"Second is the school district's strong debt service fund. This money, which by law can only be used to cover capital expenses, will be used to help reduce taxpayer liability.

"And third, the actual bond rating obtained was better than anticipated because of the strong financial position of Wasatch County School District."

State law requires that the tax rate is revised each year to insure that the school district does not profit from increased growth in the district without a truth-in-taxation hearing. Continued growth tends to drive that tax rate down, reducing each individual's tax liability while maintaining the level of funding needed to pay off the bonds sold by the district.

According to district administration, the outlook for taxpayers to experience continued low rates while continuing to provide excellent facilities for the students is very strong. "If growth continues at or near its present rate and our debt service fund remains strong, this rate should hold or improve for the foreseeable future," said Johansen.

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Plans Move Forward on New Wasatch High School Project

Those who travel past the new high school construction site behind the Wasatch County Library/Senior Citizen Center have seen the large piles of dirt growing as site work continues on the massive project. "We are moving forward with the new school and are very excited about it," said Superintendent Terry Shoemaker.

The process to receive and finalize all of the subcontractor bids is moving into its final phase. "We could not speak about the bidding and construction process up to this time because we did not want to compromise the bids," said Shoemaker. School Board President Claudia Bradshaw agreed. "There are many companies involved in submitting, preparing and examining all of these facts and figures, and if we were to speak prematurely, it could hurt us financially," she said.

Now, however, the process has moved to a point where the board can speak more openly without driving the price of the bids higher.

"First of all, people should know that we are going to be able to build this school without additional debt," said Superintendent Shoemaker. "We will not be going back to the public to ask for more money to finish this project."

The school board is also resolute on this subject. "We will use the funds that we have available to us to finish this project," said Bradshaw.

However, construction costs have seen a significant increase in the past several months which have caused some challenges for the district. Associated General Contractors of America's Chief Economist Ken Simonson, recently reported that while costs had been declining during the late

months of 2006, they began to skyrocket in the early months of 2007 (<http://www.agc.org/galleries/economics/March07/CIA.pdf>) Wasatch School District has been caught in that pinch.

According to Simonson, both labor and material costs will continue to rise sharply. "Construction is vulnerable to high price increases because the industry has little ability to avoid using materials that are in strong demand and for which supplies increase irregularly. In addition, the need for physical delivery of materials means the industry is affected by upward pressure on freight costs, transportation bottlenecks, and fuel price spikes," he said.

School districts across the state are affected by these same challenges. Each district solves these problems in their own way (see related article "School Districts meet Financial Challenges differently")

"We had projected that our project would cost us about \$163 per square foot," said Shoemaker. "In our planning phase, we used that figure on recommendations from Layton Construction, Jacobsen Construction and Sandstrom Architects. We even built in a contingency to allow for increased costs."

"For example, Old Mill Elementary, which was completed just over a year ago, was built at \$104 per square foot. However, now that the bids are coming, we're finding that prices are substantially higher. The increased cost is directly attributable to rising construction inflation and the much higher price of oil."

"The question that now is being asked is how we can build the same high school that we

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proposed to the public with the same money that we asked for when prices have risen so dramatically," said Shoemaker.

"There are three options that are available to us:

1. Cancel the project.
2. Value Engineer the project.
3. Reduce the Scope of the project.

"The option to cancel the project is not one that we would even consider for a number of reasons," said Superintendent Shoemaker. "We need the new building. We have invested millions of dollars in the project already. And, more importantly, we feel that by combining value engineering and by reducing the scope of the project, we will be able to complete the project."

"Neither of these methods of cost reduction will lessen the quality of the school," said Bradshaw. "While there are some areas of the school that are being altered, none of the programs in the school are being changed. We are still building a very nice, functional high school that meets the needs of today's and tomorrow's students."

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School Districts Meet Financial Challenges Differently

BY JOHN MOSS
Wave Education Writer

School districts across the state are finding the economy a major challenge to on-going construction projects. Construction inflation and a huge increase in the price of oil have combined to dramatically raise the cost of construction projects.

Wasatch School District

Superintendent Terry Shoemaker explained a number of ways that districts handle financial challenges. "Larger districts such as Granite, Alpine, or Jordan districts bond for several hundred million dollars at a time to complete a multitude of projects," he said. "When they are over budget, they reduce the number of projects."

He went on to explain that smaller

districts like Wasatch are unable to share the burden in that manner. "When we build a building, it is generally the only capital project that we have going on at that time. If there are challenges, they must be met by adjusting the size or design of that building. We just have to solve all of our problems head on," he said.

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The result of this situation is the challenge currently felt by Wasatch County School District as construction costs have skyrocketed during the bidding phase of the new Wasatch High School construction project. There are only a few ways to

handle those increased costs. "We are NOT going back to the public to ask for more money," said Superintendent Shoemaker. "You can rest assured of that. We will build this building without increasing the tax burden on the public. In addition, we will build a building that will still meet the current and future needs of our district."

Ironically, the cost to the individual taxpayer for this project has gone down substantially due to increased growth in the county and a strong debt service financial base maintained by the

district. The bottom line, according to Wasatch County School Board President Claudia Bradshaw is that, "We will build a wonderful facility that will provide our students with all of the programs that have come to mean so much to us in the valley. This is your (the taxpayer's) money. You elected us to be the caretakers of your funds and we take this responsibility very seriously. It is our job to solve these problems so that the needs of our community are met without our going over budget. This is what we are going to do."