



# **Temporary Regionalization School Study Committee**

## **Equalization Decision Making**

June 2020 – Updated April 2020

*Prepared by District Management Group*

## Overview of equalization requirements

According to Connecticut state statute (Chapter 164, Section 10-51), cities in a regional district must contribute a portion “based on the average daily membership of pupils,” unless another arrangement is set. Therefore, based on 2018-2019 enrollment, Ansonia must contribute between 62% and 64% of total financial and capital contributions to the regional school district, depending on the regional configuration chosen.

For operating budget expenditures, each city would contribute funding on a per-pupil basis to the regional school district, as outlined in the Task I report. Similarly, for capital contributions, Ansonia and Derby must contribute an equalized amount on a per pupil basis to the regional district. Simplified, hypothetical, examples are below of how this could play out:

- Without renovations:
  - In a 9-12 regional district, Ansonia may contribute their high school. If AHS is worth \$9M and Ansonia is about two-thirds (67%) of the student population at the high school. Since in this example Ansonia contributed a facility valued at \$9 million, and only needed to contribute 2/3 of the total capital, which is \$6 million, Derby would need to contribute \$3 million to the regional entity and Ansonia would be due back \$3 million from the regional entity.
- With renovations:
  - In that same scenario, if the total cost of expansions and addressing code violations at AHS is \$3M, this \$3M cost would be apportioned on a per-pupil basis across the two cities, meaning that Ansonia would be contributing \$2M and Derby would contribute \$1M for renovations. In total Ansonia would have contributed \$11M, (\$2 million in renovations and \$9 million in facilities), and Derby will have contributed \$1M, and as such Ansonia would receive back \$1M and Derby would owe \$4M (\$3M in capital, \$1M in renovations).
- With lease:
  - In this same scenario, Ansonia and Derby could lease their buildings to the joint entity rather than selling them. They can then come to an arrangement of how the cities will distribute the costs of renovations. They can either distribute renovations on a per-pupil basis or the city that owns the building holds responsibility for the renovations.

Below is a table that outlines the same simplified example of the total amount contributed and final cash investment in each scenario:

City	Contributed (without renovations)		Contributed (with renovations)			Leased (with renovations)		
	Contributed	Final cash investment	Buildings	Renovations	Final cash investment	Buildings	Renovations	Final cash investment
Ansonia	\$9M	(\$3M)	\$9M	\$2M	(\$1M)	\$0M	\$2M	\$2M
Derby	\$0M	\$3M	\$0M	\$1M	\$4M	\$0M	\$1M	\$1M



## Equalization is dependent on 5 decisions:

In order to determine what the actual contributions made by each town will be and what, if any, adjustments are needed to create the proportional required contributions, 5 questions must be answered first.

- a. What is the form of merger (grade levels) and which and how many schools are utilized going forward.
- b. Whether buildings are contributed to the new entity or leased.
- c. The valuation of what capital is contributed
- d. How much each building is renovated (note the cost to each town differs in lease versus transfer)
- e. Whether the goal is strictly to equalize capital contributions or to also address other issues such as how operating saving accrue to the towns, unused buildings or other issues.



**A. What is the form of merger (grade levels) and which and how many schools are utilized going forward (options below).**

School	Status Quo	Shared Central Office	9-12 Regionalized	6-12 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
Ansonia High School						
Ansonia Middle School						
Mead Elementary						
Prendergast Elementary						
Derby High School						
Derby Middle School						
Bradley Elementary						
Irving Elementary						



Indicates building in use in this scenario.

Only buildings that are used in the final scenario are considered contributed to the regional entity. Unused buildings remain owned by the town, not the regional entity.

**Summary of building use:**

- In any regional scenario, Ansonia High School remains open while Derby High School closes.
- In 6-12 and PK-12 regional scenarios, Derby Middle School remains open while Ansonia Middle School closes.
- If any elementary school closes, it would be Irving Elementary in Derby.

**Decision Point:** Which regional option is to be selected with which schools utilized?



## **B. Whether buildings are contributed to the new entity or leased.**

The two cities have two options for how they can contribute capital to the new joint entity, contributing or leasing.

Contributing a building means that the regional entity would own the facility going forward, not the town. A contributed building is essentially sold to the regional entity for the appraised value. If the value of the buildings contributed by one town exceeds its proportional share, then the regional entity would owe that town the amount over contributed. Conversely, if the value of facilities contributed was less than the proportional share due, that town would owe the regional entity the difference.

Leasing the buildings to the regional entity changes the capital equalization calculation significantly. In a lease situation, the towns remain owners of their schools, not the regional entity. Thus neither town is contributing any capital if all the buildings are leased.

Moreover, the lease amounts can be nominal, say \$1 a year, or they can be set at any reasonable rate agreed to.

Finally a lease changes how renovation costs are apportioned as well. In a contribution case renovations are split based on proportion of student population. In a lease the allocation of renovation costs can be set at any reasonable rate agreed to by the towns.

- **Contribute buildings** to the new entity on a per-pupil basis:
  - If Ansonia is 64% of the total student population in the regional entity, they must contribute 64% of the capital to the regional district and Derby must contribute 36% of the capital. In a scenario in which Ansonia contributes \$10M in capital, Derby would need to contribute a proportional amount (\$5.6M) or would owe \$3.6M to the regional entity, and \$3.6M would be owed to Ansonia from the regional entity.
  - In this same scenario, if an additional \$5M is owed in renovation costs to the \$10M building contributed to the regional district, Ansonia would cover \$3.2M in renovation costs (64%) and Derby would cover \$1.8M. However, Derby would owe the regional district \$3.6M for their portion of capital contributions, and so they would owe \$5.4M to the regional entity. Ansonia would be owed \$0.4M (\$3.6 owed from capital contributions, minus \$3.2 for renovations).
- **Lease buildings** for a minimal amount to the regional district (e.g. \$1 for 10-year lease):
  - If Ansonia leases their \$10M building to the regional district, no city would owe money to the regional entity in capital contributions. However, that \$5M in renovations could be covered in one of two ways, depending on the lease agreement: (1) Ansonia is responsible for renovations to the building as the owner, or (2) the cities proportionally contribute to renovations. In the latter scenario, Ansonia would cover \$3.2M in renovations and Derby would cover \$1.8M in renovations.

**Decision Point:** *Will the schools be contributed or leased? If leased, how much will the buildings be leased?*



### C. The valuation of what capital is contributed.

If the cities contribute capital to the regional district, rather than leasing them, contributions must be based on some valuation. Below is the valuation the cities of Ansonia and Derby placed on each school in both districts. Silver/Petrucci & Associates (SPA) and Milone and Macbroom (MMI) worked with the cities of Ansonia and Derby to gather information on the appraisal valuations of land and buildings.

Valuations were made by the city and generally are influenced by building size, year constructed, total number of classrooms, land size, amenities, and investments/renovations made.

Based on initial feedback from committee members there is surprise at the high valuation of Ansonia Middle School (\$11.8M) and the valuation of Derby High School included in Derby Middle School. Valuations of Ansonia Middle School and the Derby Middle/High complex are found in the supplemental PDFs. The only valuation available from the city of Derby was a valuation for the entire plot of land, and states that it includes both Derby Middle School and Derby High School. It does not, however, separate out the value of each building independently.

Derby high school and middle school are legally on a single parcel of land. Derby Middle School is used in all the regional scenarios and Derby High School is not. Since Derby High School and Derby Middle School are on shared land, in order to contribute one school without the other, Derby must appraise the cost of each building separately and consider the legal allowances of selling or repurposing Derby High School.

School	Appraised Valuation*
Ansonia High School	\$32,863,000
Ansonia Middle School	\$11,832,800
Mead Elementary	\$10,889,100
Prendergast Elementary	\$8,699,300
Derby High School	\$25,810,100**
Derby Middle School	
Bradley Elementary	\$4,074,700
Irving Elementary	\$6,394,380

\*Valuation is based on city property listing reports from the cities of Ansonia and Derby.

\*\*Derby High School and Middle School have a valuation of \$25,810,100 combined. Derby could contribute their middle school, land, and high school to the regional district at a valuation of \$25.8M, or could appraise each building separately and contribute only the middle school.

**Decision Point:** Do we accept the valuations collected from the cities? Would Derby High School be contributed to the regional entity? Do we want to modify the valuations through some other means such as the lease? If yes, what are the assumed valuations? Would Derby High School be contributed to the regional entity?



## D. How much each building is renovated.

As outlined in the report and subsequent documents, there are a number of levels to which schools can be expanded, renovated, and/or replaced. These valuations came from facility conditions assessments in both Ansonia and Derby buildings from Silver/Petrucci and Associates (SPA). SPA is an architecture, engineering, and interior design collaborative. They have partnered with cities and school districts around Connecticut as architects and engineers assessing the current state of schools, setting plans and designs for future improvements, and designing new school buildings.

SPA conducted a facility conditions assessment of both Ansonia and Derby school buildings. This is a visual inspection of the buildings and their systems. The Task I report includes an assessment of the architectural, plumbing, mechanical and electrical systems of these facilities. The report entails broad narrative descriptions of these systems. It describes the visual observations that the architectural and engineering team reviewed during their building walkthroughs. The current district facility managers or a member of the custodial staff was on site during many of the walkthroughs. Recommendations and estimates were included in narrative form and spreadsheets provide each district with the necessary requirements to upgrade these facilities to meet today's standards. These facility conditions and the associated estimates are also used as a tool to further evaluate possible regionalization configurations.

Architects, as well as mechanical and electrical engineers conducted extensive on-site facility evaluations and investigations. Town and State records were also reviewed. This data was organized and appears in sections of the report in the form of building condition narratives and spreadsheets detailing the specific code, repair or maintenance issues or deficiencies, with suggested recommendations including corrective actions, prioritization, and associated cost estimates.

The below chart outlines the cost of renovations by the level of repair, at current reimbursement rates.

### *Costs per school by level of repair*

School	Code Violations	Site Improvements	Future Improvements	Total	Code Violations + Work Selected
Ansonia High School	\$1,324,500	\$2,610,000	\$1,114,000	\$5,048,500	\$4,354,500
Ansonia Middle School	\$1,380,000	\$8,404,000	\$4,950,000	\$14,734,000	\$7,919,000
Mead Elementary	\$172,000	\$1,291,000	\$2,645,500	\$4,108,500	\$1,873,000
Prendergast Elementary	\$238,550	\$3,745,000	\$969,000	\$4,952,550	\$1,625,750
Derby High School	\$3,786,900	\$3,804,000	\$11,120,000	\$18,710,900	\$3,799,900
Derby Middle School	\$15,500	\$8,500	\$31,500	\$55,500	\$16,500
Bradley Elementary	\$842,000	\$2,063,500	\$4,840,200	\$7,745,700	\$2,731,700
Irving Elementary	\$826,500	\$2,343,500	\$3,565,500	\$6,735,500	\$3,179,000



There are also expansions required with different merger options. The below table outlines the cost for each school in each scenario of expansions, code violations, and work selected, with current reimbursement rates.

School	Status Quo	Central Office	9-12 Regionalized	6-12 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
Ansonia High School	\$4,354,500	\$4,354,500	\$6,987,750	6,987,750	6,987,750	6,987,750
Ansonia Middle School	\$7,919,000	\$7,919,000	\$7,919,000	\$0	\$0	\$0
Mead Elementary	\$1,873,000	\$1,873,000	\$1,873,000	\$1,873,000	\$1,873,000	\$1,873,000
Prendergast Elementary	\$1,624,750	\$1,624,750	\$1,624,750	\$1,624,750	\$1,624,750	\$1,624,750
Derby High School	\$3,799,900	\$3,799,900	\$0	\$0	\$0	\$0
Derby Middle School	\$16,500	\$16,500	\$16,500	\$3,063,428	\$3,063,428	\$3,063,428
Bradley Elementary	\$2,731,700	\$2,731,700	\$2,731,700	\$2,731,700	\$2,731,700	\$3,319,642
Irving Elementary	\$3,179,000	\$3,179,000	\$3,179,000	\$3,179,000	\$3,179,000	\$0
Transfer of PK facilities (Ansonia)	\$0	\$0	\$0	\$83,574	\$83,574	\$83,574
Transfer of PK facilities (Derby)	\$0	\$0	\$55,716	\$55,716	\$55,716	\$55,716
Central Office Renovations	\$0	\$766,444	*	*	*	*
<b>Total</b>	<b>\$25,498,350</b>	<b>\$26,264,794</b>	<b>\$24,387,416</b>	<b>\$19,598,918</b>	<b>\$19,598,918</b>	<b>\$17,007,860</b>

\*Total costs for all regional scenarios beyond “central office” does not include central office renovations, which would cost \$766,444.





The final chart show the allocation of costs from the above total, including the costs of renovations (code violations and work selected), at the current reimbursement rates.

**Overall allocation of costs**

	Status Quo	Central Office	9-12 Regionalized	6-2 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
<b>Total*</b>	<b>\$25,498,350</b>	<b>\$26,264,794</b>	<b>\$24,387,416</b>	<b>\$19,598,918</b>	<b>\$19,598,918</b>	<b>\$17,007,860</b>

*If buildings contributed*

Ansonia	N/A	\$236,042	(\$7,728,444)	\$9,537,098	\$16,256,351	\$10,536,466
Derby	N/A	\$530,402	\$14,716,194	\$492,080	\$3,342,568	\$6,471,395

*If buildings leased*

Ansonia	N/A	\$487,897	\$4,451,401	\$6,239,605	\$12,476,137	\$10,826,740
Derby	N/A	\$278,547	\$2,536,349	\$3,811,573	\$7,122,781	\$6,181,120

*Non-regional costs*

Ansonia	\$15,771,250	\$15,771,250	\$11,416,750	\$3,581,324	N/A	N/A
Derby	\$9,727,100	\$9,727,100	\$5,982,916	\$5,988,416	N/A	N/A

\*Total costs for all regional scenarios beyond “central office” does not include central office renovations, which would cost \$766,444 and would be distributed as outlined in “central office” column.

There in uncertainty about the reimbursement rate that a future regional school district will have, so these tables are repeated with two alternative reimbursement rates, 85% and 95%.



**Total cost of expansions, code violations, and work selected, at 85% regional reimbursement.**

School	Status Quo	Central Office	9-12 Regionalized	6-12 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
Ansonia High School	\$2,205,109	\$2,205,109	\$3,195,665	\$3,195,665	\$3,195,665	\$3,195,665
Ansonia Middle School	\$5,578,220	\$5,578,220	\$5,578,220	\$0	\$0	\$0
Mead Elementary	\$591,475	\$591,475	\$591,475	\$591,475	\$705,550	\$584,549
Prendergast Elementary	\$547,911	\$547,911	\$547,911	\$547,911	\$633,410	\$500,998
Derby High School	\$2,518,786	\$2,518,786	\$0	\$0	\$0	\$0
Derby Middle School	\$7,455	\$7,455	\$7,455	\$1,970,775	\$1,970,775	\$1,970,775
Bradley Elementary	\$1,313,317	\$1,313,317	\$1,313,317	\$1,313,317	\$3,653,125	\$2,777,550
Irving Elementary	\$1,600,594	\$1,600,594	\$1,600,594	\$1,600,594	\$1,371,443	\$0
Central Office Renovations	\$0	\$715,314	\$715,314	\$715,314	\$715,314	\$715,314
<b>Total</b>	<b>\$14,362,868</b>	<b>\$15,078,182</b>	<b>\$13,549,952</b>	<b>\$9,935,051</b>	<b>\$12,245,282</b>	<b>\$9,744,851</b>

**Overall allocation of costs – 85% Reimbursement**

	Status Quo	Central Office	9-12 Regionalized	6-2 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
<b>Total*</b>	<b>\$14,362,868</b>	<b>\$15,078,182</b>	<b>\$13,549,952</b>	<b>\$9,935,051</b>	<b>\$12,245,282</b>	<b>\$9,744,851</b>

*If buildings contributed*

Ansonia	N/A	\$203,494	\$(9,688,437)	\$6,948,789	\$11,575,226	\$5,913,032
Derby	N/A	\$511,820	\$13,599,416	\$(1,067,035)	\$670,056	\$3,831,819

*If buildings leased*

Ansonia	N/A	\$455,349	\$2,491,408	\$3,651,296	\$7,795,013	\$6,203,307
Derby	N/A	\$259,965	\$1,419,571	\$2,230,458	\$4,450,269	\$3,541,544

*Non-regional costs*

Ansonia	\$8,922,715	\$8,922,715	\$6,717,606	\$1,139,386	N/A	N/A
Derby	\$5,440,152	\$5,440,152	\$2,921,366	\$2,913,911	N/A	N/A

**Total cost of expansions, code violations, and work selected, at 95% regional reimbursement.**

School	Status Quo	Central Office	9-12 Regionalized	6-12 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
Ansonia High School	\$2,205,109	\$2,205,109	\$2,205,109	\$2,163,566	\$2,163,566	\$2,163,566
Ansonia Middle School	\$5,578,220	\$5,578,220	\$5,578,220	\$5,578,220	\$0	\$0
Mead Elementary	\$591,475	\$591,475	\$591,475	\$591,475	\$547,026	\$411,790
Prendergast Elementary	\$547,911	\$547,911	\$547,911	\$547,911	\$495,606	\$347,615
Derby High School	\$2,518,786	\$2,518,786	\$2,518,786	\$0	\$0	\$0
Derby Middle School	\$7,455	\$7,455	\$7,455	\$656,925	\$656,925	\$656,925
Bradley Elementary	\$1,313,317	\$1,313,317	\$1,313,317	\$1,313,317	\$2,209,375	\$925,850
Irving Elementary	\$1,600,594	\$1,600,594	\$1,600,594	\$1,600,594	\$1,144,672	\$0
Central Office Renovations	\$0	\$653,113	\$653,113	\$653,113	\$653,113	\$653,113
<b>Total</b>	<b>\$14,362,868</b>	<b>\$15,015,980</b>	<b>\$12,455,651</b>	<b>\$7,526,901</b>	<b>\$7,870,283</b>	<b>\$5,158,859</b>

**Overall allocation of costs – 95% Reimbursement**

	Status Quo	Central Office	9-12 Regionalized	6-2 Regionalized	PK-12 Regionalized (4 elem.)	PK-12 Regionalized (3 elem.)
<b>Total*</b>	<b>\$14,362,868</b>	<b>\$15,015,980</b>	<b>\$12,455,651</b>	<b>\$7,526,901</b>	<b>\$7,870,283</b>	<b>\$5,158,859</b>

*If buildings contributed*

Ansonia	N/A	\$163,899	\$(10,385,538)	\$5,453,849	\$8,790,221	\$2,993,715
Derby	N/A	\$489,214	\$13,202,217	\$(1,980,245)	\$(919,938)	\$2,165,144

*If buildings leased*

Ansonia	N/A	\$415,754	\$1,794,307	\$2,156,356	\$5,010,008	\$3,283,989
Derby	N/A	\$237,359	\$1,022,372	\$1,317,248	\$2,860,275	\$1,874,870

*Non-regional costs*

Ansonia	\$8,922,715	\$8,922,715	\$6,717,606	\$1,139,386	N/A	N/A
Derby	\$5,440,152	\$5,440,152	\$2,921,366	\$2,913,911	N/A	N/A

**Decision Point:** *What level of repair will each school receive?*

**E. Whether the goal is strictly to equalize capital contributions or to also address other issues such as how operating saving accrue to the towns, unused buildings or other issues.**

Equalization of capital costs is one part of an overall package of costs and benefits. In the operating budget going forward, all costs must be shared on a per-pupil basis. As the report indicates anticipated savings and benefits are different for each town. Through the use of lease agreements, the towns could try to balance other financial considerations. For example if one town accrued greater ongoing financial savings in a regional situation, they might pay a higher lease rate.

**Decision Point:** *Should the equalization portion of the agreement strictly address the values of the facilities contributed?*



## Summary of Decisions

### Last Updated: September 2020

Question:	Decision Made:
1. Which regional option is to be selected with which schools utilized?	The TRSSC is considering regionalizing PK-12 with all four elementary schools and grades 6-12, keeping the elementary schools separate.
2. (a) Will the schools be contributed or leased?	If regionalization is pursued, the TRSSC proposes using the leasing option for buildings used by the regional district.
2. (b) If leased, how much will the buildings be leased?	Right now, the TRSSC is considering leasing buildings for \$1 annually, but will consider updating terms in the lease to compensate schools who may be contributing more.
3. (a) Do we accept the valuations outlined in this document?	The valuations outlined in this document are accepted by the TRSSC. If DHS and DMS are split, separate valuations may be required.
3. (b) Would Derby High School be contributed to the regional entity?	DHS would be included in the lease to the regional school district. This space will be used for RAISE Academy, Little Raider University, and the Advanced Manufacturing center. The TRSSC and DMGroup can consider how using DHS could increase operational costs or offset the cost of expansions to house these programs.
3. (c) Do we want to modify the valuations so some other means such as the lease?	Pending how DHS may be utilized, the TRSSC will not modify the valuations.
3. (d) If yes, what are the assumed valuations?	N/A
4. What level of repair will each school receive?	Ansonia and Derby members of the TRSSC went through the repairs and highlighted which ones would be done on each school. The total cost of those repairs (including all code violations) are outlined above in this document.
5. Should the equalization portion of the agreement strictly address the values of the facilities contributed?	The TRSSC is discussing this issue further and will consider compensating schools who may be contributing more based on the terms of the lease.

