

School District Funding and Cost Reduction Sources

The following is a brief summary of potential tools known to staff that schools may use to fund school facilities, as discussed with the school districts. The numbers below are based on school district discussions and City analysis, and include responses from the school districts. Readers should be cautioned not to add numbers below, since there may be overlap in the assumptions.

- Bonding. School districts have the ability to bond to raise revenue for improvements. This ability is subject to local vote, and State law sets limits on the amount of bonds that schools can issue at a time, based on the aggregate property value within the district. Voting results are uncertain. Bond funding must also support some major maintenance activities, in addition to facilities expansion.

In the last two years both MVWSD and MVLA passed bonds totaling \$554 million.

While both school districts are at or near the current bonding capacity (based on their approved bonds of the last two years), redevelopment of properties within the districts (such as in East Whisman) will result in significant additional property value. Plus, the anticipated residential growth is expected to occur over at least one to two decades, and fewer students are expected in each development in the near term than in the long term. This means a whole bond-pay-off term may elapse before all the funding is needed.

School District (SD) Response: MVWSD has already maxed out its bonding capacity, which includes an escalation for the coming years. Unless something changes within the next couple of years, we do not anticipate having the ability to bond for close to another decade. This will place us behind the building curve.

MVLA and MVWSD both have active bond programs voted on by its residents. Both MVLA and MVWSD have utilized much if not most of their current bonding capacity. Even if we could structure a bond for the East Whisman and North Bayshore developments, there is no voting base in East Whisman or North Bayshore to approve a bond program for those areas. We are uncertain that Mountain View residents, in the currently-populated areas, would agree to fund a \$500 million to \$1 billion in a future area of the community where those current residents do not live.

- State Reimbursement. The State regularly makes funding available to school districts to reimburse them for land acquisition and new facility construction. This funding is subject to State oversight, however, including a finding of need based on student capacity and other factors. According to the school districts, state funding

for new construction may cover approximately 10% of actual per-student construction costs (approximately \$47 million based on the current analysis).

The State may also reimburse school districts for 50% of land costs. However, there have not been any recent transactions at the land costs projected by the analysis, and the districts caution that this funding should not be considered certain. On the other hand, the City's actions above are expected to cover a significant portion of anticipated land costs, and the State may be more willing to cover a portion of the remainder. If the City supports schools for 67% of land costs (as assumed through TDR and other activities), half the remainder would be approximately \$110 million.

SD Response: Reimbursement is determined not only by need, but also if there are funds available from the state.

The State failed to pass the most recent statewide bond program in March 2020. All the existing funds in the current State bond program are accounted for by school districts with existing "eligibility" for those funds. Neither MVLA nor MVWSD have sufficient eligibility to make even a small dent in the \$1.2 billion need for schools for the City's new developments.

- Smaller School Sizes. The school districts have reduced their desired new campus sizes through this discussion and state they cannot further reduce them without compromising students' education, construction costs, and other concerns. It is worth noting, however, that even a small reduction may lower costs. For example, if an elementary school can be accommodated on 5.5 acres instead of six, that alone reduces projected school costs by about \$3 million.

SD Response: Unlike LASD, MVWSD has already developed an urban school model. Currently all of our schools sit on close to 10 acres. It is also worth noting that we are expecting increase the number of students who will be housed at a campus. With more students, and a smaller footprint, any further concessions of the school's footprint will severely impact MVWSDs ability to not only provide parity, but also a full array of programs to students.

Both MVLA and MVWSD have already reduced the acreage for its future sites in previous discussions with some developers, but there are California Department of Education requirements for school sizes that both MVLA and MVWSD must comply with. We can consider smaller designs and seeking a waiver from CDE, but no one should assume that trimming an acre here or there will be financially impactful or that it will be acceptable to residents and Board members who expect equitable and comparable facilities throughout the community.

- Shared Facilities. If, as previously proposed for the middle schools, more students can be accommodated on existing sites or if new sites can be built to accommodate a range of ages (i.e., a K-8 school), fewer specialized school facilities would need to

be constructed. For example, if MVWSD did not build a separate new middle school and accommodated the new students on existing or fewer new sites (even assuming the same additional land), that would reduce costs by over \$50 million.

SD Response: MVWSD explored this option last year when we developed our urban school model. While we are willing to explore this again, there is no community support for this option.

MVLA has two comprehensive high schools. The number of students that the East Whisman and North Bayshore developments will generate will fill an entire high school on their own. When both development areas / communities come to maturity, MVWSD will have more middle school students than are currently enrolled in our largest Middle School: Graham. Additionally, the numbers suggest that MVWSD will actually need 3 elementary schools (2 in North Bayshore and 1 in East Whisman). MVWSD has already developed an urban elementary school design, on a smaller acreage footprint, to address a larger number of students. It is not a viable solution to assume that any existing MVLA or MVWSD sites could accommodate more students. They deserve and will demand schools at every level in their community.

- Existing Land. MVWSD may be able to accommodate new students on existing land that is currently leased to other operators (Google Day Care, the German International School, and Action Day Primary), but they would need to replace current operational income they receive from these leases, which may be challenging. However, they accommodated a new elementary school (Vargas) on property they already owned, which may also be a solution for other sites. For example, if only half as many total acres are needed, that would reduce costs by over \$55 million.

SD Response: We are exploring this option for the middle school. Both City Council and MVWSD Trustees have noted that it is expected that elementary schools are located within the community. Our analyses show that all students reside within a mile radius of the school site. With regards to Middle schools, MVWSD is willing to examine how to reduce the footprint for middle schools from 17 acres through the use of an urban design. It should be noted that the projected enrollment of a new middle school (this school would house students from North Bayshore and all communities located near and around all of the Whisman areas) will exceed the population of Crittenden and Graham. Finally, we are requesting that if MVWSD exercises its right to break a lease, as a result of growth from the 3 development areas, that the City assists MVWSD with the penalties associated with an early termination.

MVWSD is willing to investigate utilizing a leased property to reduce our need for additional space, but the district will need assistance with absorbing the penalties for breaking a lease. Utilizing an existing site does not diminish MVWSD's need for elementary schools within the two planned communities.

This is closely related to the “Shared Facilities” item above. MVLA does not want to have to buy more land. But MVLA does not own existing land that it can use to house and educate the students that the East Whisman and North Bayshore developments will generate. State support for new schools typically provide less than half of the total costs necessary for land and building. The state funding is delayed sometimes coming many years after need. Given the fiscal needs of California and the projected cuts to education statewide this may change for the worse.

- Mello-Roos and Other Programs. Mello-Roos districts are created by public agencies and enacted through a vote of property owners or residents who are willing to tax themselves to fund public improvements. The school districts have mentioned that they are allowed to create such districts under State law to fund school improvement. However, it should be noted there are challenges and risks of attempting to do so, and payments for school capital facilities through Mello-Roos districts reduce State fees.

This is a viable option to both MVLA and MVWSD, but it is not a school funding source. This is a funding source that will rest with the residents of the East Whisman and North Bayshore developments. The developers will pay for this and then pass it on to the ultimate buyers and renters. This is a reasonable, equitable and a traditionally-successful funding mechanism. Both MVLA and MVWSD are ready, willing and able to discuss this option with all developers in the East Whisman and North Bayshore area and with the City. The City, too, should consider being part of a Mello Roos structure. Instead of assessing its array of fees and costs to developers in East Whisman and North Bayshore, the City could waive those and be part of an overall community funding mechanism in that area that would ensure all City needs and school district needs. While MVLA and MVWSD can seek a Mello Roos district in the East Whisman and North Bayshore area, we can also partner with the City in that process.