

## 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 MVWSD (MVLA did not respond). 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.

*MVWSD 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.*

- 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.

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

- 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.

*MVWSD 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.*

- 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.

*MVWSD 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.*

- 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.

*MVWSD 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.*

- 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.