

GLENDALE UNIFIED SCHOOL DISTRICT

November 4, 2014

ACTION REPORT NO. 1

TO: Board of Education

FROM: Dr. Richard M. Sheehan, Superintendent

SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **Authorize GUSD Administration to Finalize a Territory Transfer Agreement with La Canada Unified School District and Return for Final Board Approval**

The Superintendent recommends that the Board of Education authorize the GUSD Administration to negotiate and finalize a territory transfer agreement with La Canada Unified School District pursuant to the terms detailed below for subsequent final approval by the Board. The agreement would become effective if a territory transfer is approved by the Los Angeles County Committee on School District Organization or other State Agency.

In May 2013, a group of citizens from the City of La Canada requested that the City of La Canada support and endorse the realignment of the western areas of the City of La Canada into the La Canada Unified School District's jurisdiction. The area requested to be transferred is known as "Sagebrush." Subsequently, the La Canada City Council and the La Canada Unified School District Board ("LCUSD") adopted resolutions in favor of the territory transfer.

The potential territory transfer has been discussed at multiple GUSD board meetings, meetings at Mountain Avenue Elementary School, Crescenta Valley High School, Crescenta Valley Town Council, and various informal settings. A formal survey of the registered voters in the territory transfer area was also performed. In addition, an analysis of the financial and programmatic impact of such a transfer on GUSD and its students has been performed by staff. That analysis, which will be presented tonight, highlights the long term negative fiscal consequences on GUSD of the transfer request, and suggests the need for GUSD to carefully balance the interests of Sagebrush residents in becoming part of LCUSD with the needs of and impact of a transfer on the rest of the school district.

After consideration of these impacts and in the interest of balancing needs across the entire district, GUSD's current proposed terms for a negotiated territory transfer must, at a minimum, include the following basic terms:

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1) LCUSD will assume financial responsibility for Sagebrush's portion of debt service on bonds issued through June 2014.

Issue: GUSD has issued bonds under two bond measures (Measure K and Measure S) that were approved by GUSD voters– including those in Sagebrush. GUSD has issued bonds authorized by both of these measures and has planned to continue to do so through 2023. As part of GUSD's capital planning and as part of the calculation used to provide information to voters, Sagebrush property owners were expected to pay their fair share of the bond repayment like every other property owner in GUSD. Sagebrush's share of the projected repayment amounts to nearly \$19 million of which \$6.8 million is to repay bonds issued through June 2014.

If Sagebrush property owners stopped paying back their share as a result of being transferred from GUSD to LCUSD, the responsibility for their share of the repayment would fall to the remaining GUSD taxpayers, effectively increasing their taxes over the term of repayment.

Proposal: In order to mitigate this impact, LCUSD would need to assume responsibility for repayment of Sagebrush's share of all GUSD Measure K bonds, and Series A of Measure S bonds. This would limit shifting additional responsibility to the remaining GUSD taxpayers.

- The projected impact to the property owners in the LCUSD is a tax increase of \$3.78 per \$100,000 of assessed valuation which would gradually decrease to \$2.03. This projection is based on a 4.0% Assessed Valuation growth.
- The current proposal does not include the debt service on the \$70 million in Measure S bonds (Series B) issued in August 2014.

2) LCUSD makes annual payment to GUSD to offset a portion of the per-student state funding loss for 12 years.

Issue: The Sagebrush transfer will also result in a loss of students – and LCFF funding –for GUSD. GUSD's loss of LCFF funding as a result of the student transfer will vary each year based on State funding and the actual number of students that transfer. If 360 students transferred this year it would be an impact of \$2.6 million. This is assuming 360 students at \$7,200.

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- During the proposed phase-in period, the annual reduction in revenue would be less.
- The example is utilizing the 2014-15 LCFF for GUSD. The \$7,200 will increase each year as State funding increases. In 12 years, the impact is projected to be \$3.8 million per year.
- Additional revenues will also be reduced that are not included in this analysis: Special Education, Lottery, and various other per-pupil allocations.

Although GUSD's costs may decrease incrementally with the loss of students, this would not offset the loss in LCFF funding and would leave GUSD with a net decrease in funding.

Proposal: Since it is difficult to accurately project the number of students who would actually shift to LCUSD, GUSD is proposing to use the actual student count in each of the years to calculate the mitigation. LCUSD would make annual payments to GUSD for 12 years equal to 50% of GUSD's lost LCFF funding per Sagebrush student who attends LCUSD. While this would not make GUSD whole for the loss of the LCFF funding nor does it address the loss of other revenues, it would provide a measure of mitigation to GUSD while it makes necessary adjustments over 12 years.

- Student counts would take place in October during the CalPADs review process each year, with the payment based on the number of students from the Sagebrush area actually attending LCUSD.
- The average GUSD per student LCFF funding (as calculated on the State software) would be utilized in the calculation.
- In January of that fiscal year, LCUSD would make a payment to GUSD. This would be for 50% of GUSD per student LCFF funding times the number of students.
 - For example, if this was in place now and 100 students from Sagebrush area were attending LCUSD, the calculation would be:
 $50\% \times \$7,200 \times 100 = \$360,000.$
- GUSD would retain the right to audit and verify LCUSD's student counts and payment calculations.

3) GUSD retains ownership of Pickens Canyon Lot.

Issue: GUSD currently owns a piece of vacant/park land in the Sagebrush area known as the Pickens Canyon Lot. A bridge owned by GUSD connects that property with Mountain Avenue Elementary School. The school uses the lot both for educational and recreational activities, as well as a drop-off/pick-up location. The bridge and lot are also part of the school's emergency evacuation plan. If the entire Sagebrush area was transferred to LCUSD, ownership and control of the Pickens Canyon Lot would also transfer to LCUSD.

Proposal: To maintain GUSD's uses and avoid any impact on Mountain Avenue Elementary School or its students, the Pickens Canyon Lot would be excluded from the transfer area, and both the park and the bridge would remain under GUSD ownership and control.

4) LCUSD agrees to a phased-in enrollment period of six years.

Issue: If there were to be an immediate transfer of all students, it would result in a significant financial and facility impact for both school districts. It would also be very disruptive for the families and students in the Sagebrush Area. Students who have been in attendance at GUSD for several years and a part of District, would be severely impacted if forced to change school districts in the middle of their educational program.

Proposal: GUSD and LCUSD would agree to a "phase-in" period that would allow Sagebrush students some choice in their district of attendance for the first six years following the implementation of the proposed agreement. As we have discussed in the past with LCUSD, for the first six years following the territory transfer and subject to the exceptions described below the parties will follow the "phase-in" enrollment plan depicted in the chart below:

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Enrollment Pattern For Sagebrush Students													
Transition Year	Grade of Enrollment												
	K	1	2	3	4	5	6	7	8	9	10	11	12
First	L	L	L/G	L/G	L/G	L/G	L/G	L	L/G	L	G	G	G
Second	L	L	L	L/G	L/G	L/G	L/G	L	L	L	L	G	G
Third	L	L	L	L	L/G	L/G	L/G	L	L	L	L	L	G
Fourth	L	L	L	L	L	L/G	L/G	L	L	L	L	L	L
Fifth	L	L	L	L	L	L	L/G	L	L	L	L	L	L
Sixth	L	L	L	L	L	L	L	L	L	L	L	L	L
G = Student will attend GUSD L = Student will attend LCUSD L/G = Student may attend either GUSD or LCUSD													

Students in the following categories who request to attend GUSD schools will be granted inter-district permits by LCUSD to do so:

Category 1: All GUSD legacy students residing in the Sagebrush area, as well as siblings of all current GUSD students residing in the Sagebrush area, will maintain the right in perpetuity to attend GUSD schools. A legacy student is one whose parents attended GUSD.

Example: Five years after the transfer a family whose parents attend GUSD schools move to Sagebrush, their children may attend GUSD schools.

Category 2: If a student residing in the Sagebrush area currently attends GUSD, they retain the right to continue to attend GUSD schools.

Example: If a current student is in a transition grade: Kindergarten, First, Seventh, or Ninth, the student will be allowed to remain with GUSD through graduation.

Category 3: If a current resident of Sagebrush has a child who is scheduled to enter Kindergarten within the first six years into the transition, the student will be allowed to attend GUSD through the 12th grade.

Example: If the transfer takes effect in 2016 and a current Sagebrush family has a child scheduled to begin Kindergarten in 2022 or earlier, that child may attend GUSD schools.

5) Transfer of GUSD students to LCUSD.

Issue: Currently, LCUSD accepts 102 GUSD non-Sagebrush students as transfers into LCUSD schools, including GUSD students who transfer to LCUSD pursuant to the Allen Bill. These transfers have a negative financial impact on GUSD.

Proposal: [*GUSD Board to select option for proposal to LCUSD*]

Option A – LCUSD will limit the acceptance of “Allen Bill” students from GUSD to only those students whose parents work directly for LCUSD.

Option B – GUSD will provide a credit against the annual payments required from LCUSD to GUSD under Item 2 for any decrease in the number of GUSD students transferred to LCUSD compared to the 102 transfers in 2013-14. For example, if only 101 GUSD non-Sagebrush students transfer to LCUSD,, LCUSD receives a credit for 1 student in the calculation of the annual payment required under Item 2. In no case, would GUSD be required to pay LCUSD under this provision.

Option C – The proposed territory transfer terms will not impose additional limits on transfer of GUSD students to LCUSD.

6) LCUSD and GUSD to share Special Education costs and responsibilities during six phase-in period.

Issue: Special Education Services are complex, and it would be damaging to the student to have their services disrupted. Any changes to the individual student’s program must be done in a very thoughtful and individualized manner.

Proposal: During the six year phase-in period, LCUSD and GUSD will agree to share special education costs and responsibilities. The agreement between the districts will differentiate between two levels of services (Tier I and Tier II). Students requiring special education services will of course have all the same options as other students in terms of attendance options.

- Tier I: Each District will assume the cost of special education assessment, placement, and services delivered by District staff as part of their regular District program (i.e.: students on a general education K-6 campus receiving RSP/speech/APE/aide support from regular district staff).

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- Tier II: Districts will share on an equal basis 50%/50% both the revenue received and the costs of special education assessments, placements, and services that are above and beyond a regular District program delivered by District staff (i.e.: NPA contract services, NPS placement, RTC placement, Behavior Services, DIS support from an agency or contract provider, transportation, legal expenses, and Regionalized Services).

7) LCUSD agrees to GUSD remedies on default.

Issue: Every provision of any agreement between GUSD and LCUSD would be vital to protecting the interests of GUSD, its students and residents. If a permanent territory transfer occurs, a failure on the part of LCUSD to comply with the financial terms of the agreement would result in serious financial harm to GUSD.

Proposal: The agreement between the parties must include a provision under which a default by LCUSD in performance of the terms of the agreement will trigger an automatic financial penalty of \$100,000 per violation, in addition to other damages as determined by a court, plus reimbursement of GUSD attorney's fees and costs to pursue legal action for breach of contract or other applicable causes of action.

In summary, LCUSD would annex the Sagebrush territory into their district permanently; acquire students, the funding that follows the students, the assessed valuation of the property in the area increasing its bonding capacity; as well as the ability to tax those properties for bond repayment or through a parcel tax, among other benefits. The agreement would provide for phased-in enrollment which enables LCUSD and GUSD to make the program and facility adjustments needed to adjust for the student population change. LCUSD would provide GUSD with \$150,000 for six years and would continue payment on all bonds currently issued.

If there is tentative agreement with LCUSD on the proposal outlined above, Administration will work with legal counsel to draft a formal legal agreement as well as a proposal to the Los Angeles County Committee on School District Organization (LACCSDO) both of which would be brought back to the Board for final approval. If the governing boards of both districts approve this agreement and plan, the transfer proposal would be taken to LACCSDO for final approval. If there is not agreement on the terms of the transfer Glendale Unified School District will oppose any territory transfer requests placed before the LACCSDO.

To Support 2014-15 Board Priority NO. 2 – "Use Board adopted budgetary principles to maintain District fiscal integrity and stability of instruction and programs"