

La Cañada Unified School District – Glendale Unified School District

Territory Transfer

Summary of Mitigation Options

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The following Summary of Mitigation Options is intended to serve solely as a review and preliminary analysis of the potential options available to the La Cañada Unified School District (LCUSD) and Glendale Unified School District (GUSD) for consideration in potential negotiations to arrive at a mutually agreeable mitigation agreement in connection with the proposed transfer of territory from GUSD to LCUSD. This summary is not intended to be construed as a feasibility study as related to the proposed territory transfer and does not attempt to serve as a full mitigation agreement in alignment with State criteria of the potential outcomes of the Territory Transfer. Achieving a full mitigation agreement that comprehensively addresses the State criteria governing school district territory transfers would require additional negotiations between all concerned parties. Sufficiency of any mitigation agreement would also require input from oversight entities such as the Los Angeles County Committee on School District Organization, Los Angeles County Office of Education and the State.

Development and build-out of the Crescenta Valley over the past decades has resulted in circumstances where the entire territory encompassed by the City of La Cañada Flintridge is within the LCUSD, except for a territory known as “Sagebrush” in the northwest corner of the City. The Sagebrush territory consists of approximately 900 residential parcels, generating approximately 400 K-12 students, currently within the boundaries of GUSD.

Since the 1960’s, several efforts have been undertaken by residents of the Sagebrush territory to facilitate its transfer to LCUSD. In 2013, community members initiated another effort to facilitate the transfer of the Sagebrush territory, and GUSD and LCUSD – in consultation with the City of La Cañada Flintridge – have attempted to arrive at an amicable pathway to achieve the community’s goal prior to the submission of a community initiated petition to the Los Angeles County Committee on School District Organization.

With the prospect of a community initiated petition, both districts have attempted to reach a negotiated agreement which could be mutually supported and would minimize uncertain outcomes potentially resulting from the Los Angeles County Committee on School District Organization process. Through negotiations which included input from community members and the City of La Cañada Flintridge, an agreement was formulated which contemplated the gradual transition of students in conjunction with certain other mitigation measures. However, due to



limitations on enforcement of a gradual transition and lack of agreement on the financial impacts to both districts, the contemplated agreement was determined not to be viable.

Currently, GUSD has identified 364 total students within the Sagebrush territory of which approximately 278 remain enrolled in GUSD schools. Per GUSD information for students within the Sagebrush territory, 58, 19 and 9 were granted transfers in 2015-16, 2014-15 and 2013-14, respectively.

In July of 2015, the parties, continued negotiation efforts and retained Capitol Advisors Group and Atkinson, Andelson, Loya, Ruud & Romo to facilitate conversations related to exploring all viable options which could be employed to formulate a mutually agreeable transfer of the Sagebrush territory. On August 25, 2015, three separate one-on-one meetings were held with LCUSD, the City of La Cañada Flintridge and members of the Sagebrush community to obtain background information on prior efforts and resources which might be part of a mitigation agreement. A similar one-on-one meeting was held with GUSD on September 9, 2015.

Based upon feedback from prior meetings and subsequent phone conversations with each of the parties, a list of potential mitigation options was established based upon the understanding obtained from all parties. While many of the concepts detailed herein have been previously explored with some rejected and others deemed not viable at the time, our review of prior efforts indicated that there were four fundamental issues which the districts have sought to resolve to achieve a mutually supported agreement. Specifically:

1) *Equity in debt repayment for existing General Obligation (GO) bonds*

The proposed Sagebrush territory transfer will likely reduce the taxable value of GUSD and remove the territory from tax levies that support GUSD GO bonds. Correspondingly, LCUSD would experience an equivalent growth in taxable value for its GO Bonds. As a result, the transfer would likely increase tax rates for GUSD residents outside of the Sagebrush territory and decrease those for LCUSD residents. The desire is to mitigate tax increases for the remaining GUSD residents.

2) *Provision of adequate student housing and mitigation of excess capacity*

The proposed Sagebrush territory transfer may result in the existing GUSD Mountain Avenue Elementary (K-6) campus having excess capacity, and the current configuration of LCUSD campuses not having sufficient capacity to immediately accommodate all proposed Sagebrush territory students. The desire is to identify a way to mitigate this loss of efficiencies at the GUSD Mountain Avenue Elementary School campus and reconfigure attendance patterns to replace lost enrollment, while also providing LCUSD sufficient resources to meet the resulting enrollment growth.

3) *Distribution of property and maintenance of traditional access pathways*

The proposed Sagebrush territory transfer will likely surround a GUSD-owned parcel (the "Pickens Canyon" lot) that currently serves as a second access point and emergency egress for the Mountain Avenue Elementary campus. In previous proposals, sale of the parcel was contemplated as a mitigation measure to offset a portion of the fiscal impacts on GUSD. However, the desire is to also ensure that the existing alternate



access and emergency egress be maintained for the Mountain Avenue Elementary campus.

4) *Mitigation of pupil funding impacts*

The proposed Sagebrush territory transfer will likely result in a significant number of students leaving the GUSD Mountain Avenue Elementary campus and subsequently attending the LCUSD Palm Crest Elementary campus, less than one-half mile to the east. The result would be a loss of per pupil funding for GUSD with an equivalent gain in funding for LCUSD. While this transfer does place the burden of providing services to these students on LCUSD, it also reduces operational efficiencies for the GUSD. It is desired that fiscal impacts due to the loss of enrollment from GUSD be mitigated, while maintaining sufficient funding for LCUSD to provide services of comparable quality for the Sagebrush territory students.

Just as it is true that each of these four fundamental issues are interrelated, so too are many of the potential mitigation options. While some options may provide partial or full mitigation of certain impacts, there does not appear to be a stand-alone option which will provide full mitigation. Additionally, while in certain cases circumstances may not permit the use of all options, the combination of several to formulate a negotiated agreement was explored. However, after subsequent conversations with LCUSD and GUSD, it appears that a combination of options that would provide sufficient resources to permit full mitigation for all claims of a potential territory transfer could not be attained. As such, a mutually agreeable territory transfer cannot be reached without some accommodation or identifying additional resources, the significance of which cannot be agreed to by the parties.

The following potential mitigation options were explored in efforts to formulate a mitigation agreement that may have resulted in an acceptable outcome for all parties:

- Utilization of Ed. Code 35575 to cease taxation of the Sagebrush transfer territory for GUSD GO Bonds and commence taxation for LCUSD GO bonds
- Utilization of Ed. Code 35576 to cease taxation of the Sagebrush transfer territory for GUSD GO Bonds and commence taxation for LCUSD GO bonds, as well as affect the transfer of the GUSD-owned parcel within the Sagebrush transfer territory and taxation for a proportionate share of GUSD debt based upon the taxable value of the transfer territory
- Utilization of Ed. Code 35738 to derive an alternative allocation of bonded indebtedness
- Formation of a Financing Authority or other “JPA” through the joint powers of the districts to facilitate financing of debt impact mitigation options
- Formation of a School Facilities Improvement District (SFID) encompassing the Sagebrush territory to facilitate a separate and unique facilities funding source
- Pursuit of a Sagebrush territory specific parcel tax to provide a unique funding source
- Allocation of bonding capacity based upon taxable value as stipulated in existing Education Code provisions
- Allocation of bonding capacity on an alternative basis through special legislation
- Prepayment of projected waiver costs
- Acquisition/Construction of additional LCUSD facilities to accommodate additional enrollment



- Reconfiguration of LCUSD grade levels to accommodate additional enrollment
- Gradual transition of Sagebrush territory students from GUSD to LCUSD over a period of several years
- Temporary shared GUSD – LCUSD use of facilities through a lease arrangement
- Establishment of a revenue sharing agreement between GUSD and LCUSD to mitigate the impacts of enrollment shifts
- Establishment of Sagebrush student tracking mechanisms to provide a basis for revenue sharing agreements
- Examination of limitation of inter-district transfers to the extent permissible for a period of time to reduce the transfer's impacts on enrollments
- Division of "Pickens Canyon" lot, with a portion retained by GUSD for access
- Sale of a portion of the "Pickens Canyon" lot to facilitate mitigation funding
- Establishment of an easement on the "Pickens Canyon" lot to provide access
- Lease of the "Pickens Canyon" lot to provide funding to mitigate the transfer's impacts

Based upon our conversations with LCUSD, GUSD, the City of La Cañada Flintridge and community members interested in seeking a petition to transfer the Sagebrush territory, we believe the above list to be inclusive of options previously explored as well as additional options. On December 1, 2015, representatives of LCUSD and GUSD met to review all options and explore potential combinations of options which might achieve sufficient remuneration of potential monetary impacts and form the basis of a mutually agreeable mitigation agreement.

In summary, it appears that currently no individual or combination of mitigation options explored in our review results in a comprehensive mitigation of the potential impacts resulting from the proposed Sagebrush territory transfer for both LCUSD and GUSD.



**APPENDIX A
SAGEBRUSH TERRITORY TRANSFER MITIGATION OPTION SUMMARY**

Mitigation Option	Debt	Housing	Access	Funding	Previously Proposed	Viability	Potential Issues
Utilization of Ed. Code 35575 to cease taxation of the Sagebrush transfer territory for GUSD GO Bonds and commence taxation for LCUSD GO bonds	X				X	Likely viable IF Pickens Canyon lot is excluded from territory to be transferred or sold	Would leave GUSD residents liable for additional taxes due to loss of Sagebrush territory value; could result in need for additional measures to ensure access
Utilization of Ed. Code 35576 to cease taxation of the Sagebrush transfer territory for GUSD GO Bonds and commence taxation for LCUSD GO bonds, as well as affect the transfer of the GUSD-owned parcel within the Sagebrush transfer territory and taxation for a proportionate share of GUSD debt based upon the taxable value of the transfer territory	X				X	Likely viable IF Pickens Canyon lot is included in territory to be transferred AND NOT sold by GUSD	Would require Sagebrush territory to pay for bonds of both LCUSD and GUSD, resulting in higher taxation within the transfer territory
Utilization of Ed. Code 35738 to derive an alternative allocation of bonded indebtedness	X				X	Likely viable if mutually agreed upon	Despite the flexibility provided by this option, it will be difficult to produce an outcome which does not require an increase in taxes on at least some parcels
Formation of a Financing Authority or other "JPA" through the joint powers of the districts to facilitate financing of debt impact mitigation options	X	Possibly		Possibly		Likely viable if mutually agreed upon	Would require analysis of outstanding debt and discussions with bond counsel to determine the extent of allowable allocation and financing options
Formation of a School Facilities Improvement District encompassing the Sagebrush territory to facilitate a separate and unique facilities funding source	X	X				Likely viable if approved by Sagebrush residents	Would only facilitate taxation within the Sagebrush territory which has a limited capacity of approximately \$4.5 million at a \$60 per \$100,000 tax rate and requires proceeds to be used for facilities construction/acquisition
Pursuit of a Sagebrush territory specific parcel tax to provide a unique funding source	Possibly	Possibly		X		Likely viable if approved by Sagebrush residents	Given the limited number of parcels within the Sagebrush territory, would produce less than \$100,000 annually per \$100 of parcel tax
Allocation of bonding capacity based upon taxable value as stipulated in existing Education Code provisions	X				X	Likely viable	Would likely result in a \$14 million reduction in GUSD statutory bonding capacity with a like increase for LCUSD
Allocation of bonding capacity on an alternative basis through special legislation	X					Likely viable if mutually agreed upon	Would require State legislative action and may not allow for full statutory capacity for both LCUSD and GUSD
Prepayment of projected waiver costs	X					Likely viable if mutually agreed upon	Would provide funding for a future waiver that may not actually be required based upon a review of existing bonding capacities

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Acquisition/Construction of additional LCUSD facilities to accommodate additional enrollment		X				Likely viable IF a funding source for LCUSD can be identified	Given the lack of existing GO Bond authorization and uncertainty about the future of the State School Facilities Program, would likely require additional bond authorization through a School Facilities Improvement District or districtwide measure
Reconfiguration of LCUSD grade levels to accommodate additional enrollment		X				Potentially viable	Would require reconfiguration of existing LCUSD attendance patterns for some or all grades and would likely not provide sufficient housing for all projected Sagebrush territory students without added classroom space
Gradual transition of Sagebrush territory students from GUSD to LCUSD over a period of several years		X		X	X	Not legally enforceable	Due to the inability to preclude students within the Sagebrush territory from attending LCUSD after a transfer, a phased approach may not be viable
Temporary shared GUSD – LCUSD use of facilities through a lease arrangement		X		X		Potentially viable if mutually agreed upon	Would likely be difficult to facilitate without significant work to reconfigure an existing campus and may result in complexities for staff
Division of “Pickens Canyon” lot, with a portion retained by GUSD for access			X			Likely viable if mutually agreed upon	Would likely require a division of the parcel through the County of Los Angeles which may require rezoning
Sale of a portion of the “Pickens Canyon” lot to facilitate mitigation funding			X	X	X	Likely viable if mutually agreed upon	Would likely be viable IF a sufficient portion of the parcel is made available for sale and require City participation to provide funding but may not be a significant amount
Establishment of an easement on the “Pickens Canyon” lot to provide access			X		X	Likely viable if mutually agreed upon	Would require examination of easement types to determine if a viable mechanism exists to enforce maintenance of access for GUSD
Lease of the “Pickens Canyon” lot to provide funding to mitigate transfer impacts			X	X		Likely viable if mutually agreed upon	Would likely require City involvement to facilitate funding for ongoing lease payments and require formation of a lease-purchase agreement with GUSD
Establishment of a revenue sharing agreement between GUSD and LCUSD to mitigate the impacts of enrollment shifts				X	X	Likely viable if mutually agreed upon	May be cost prohibitive for LCUSD, given the need to provide services for the transfer students which generate a fixed amount of funding

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Establishment of Sagebrush student tracking mechanisms to provide a basis for revenue sharing agreements				X	X	Likely viable	May establish a viable basis for revenue sharing IF tracking is detailed but could be labor intensive and may not capture enrollment lost to other educational entities
Examination of limitation of inter-district transfers to the extent permissible for a period of time to reduce transfer impacts on enrollments		X		X	X	Potentially viable	May impact existing inter-district transfer students unless phased in, may not be legally viable depending upon existing agreements and/or may have a limited impact unless structured to specifically target GUSD transfers