



Fountain Valley School District

School Facilities Engagement Committee

Consensus Report

May 23, 2016

Preamble

We came together at the invitation of the Fountain Valley School District to serve on the School Facilities Engagement Committee. Over the course of four meetings held in the evening from May 2 to May 23, 2016, topics covered were: school facilities, school funding, community opinion research, and the development of a consensus report. Participants live or work within the District, and many are also parents, school administrators, teachers, and staff. Collectively, we dedicated over 750 hours to learning about the District's facilities and coming to consensus. We have described how our committee came together, what we learned, and what we agreed to report from our efforts to the Board of Trustees.

Meeting Format

The Committee divided its working time into meeting with all participants together, and meeting in smaller discussion groups organized by the following subjects:

- Classroom Learning
- Outdoor Spaces
- Technology
- Safety and Security
- Accountability and Finance

At each Committee meeting, participants studied the issues, shared thoughts in discussion groups, and came back to the Committee to report out their discussions. This report reflects what was agreed upon by the Committee.

Tours of the District's schools, hosted by school principals, were optional Committee activities.

Highlights of What We Learned

Each of our four meetings had a main area of focus. The first meeting focused on school facilities, the second on school funding, the third on community opinion research, and the fourth on development of our consensus report.

I. Introduction to District Facilities

Our first meeting was an introduction to the District's facilities. We learned the District serves over 6,300 students, manages over 125 acres of property, and operates nearly 600,000 square feet of building space. The District has 7 elementary schools, 3 middle schools, and 2 support facilities, for a total of 12 sites.

Key information we learned:

- The District's schools were built in the 1960s and 1970s. Basic modernization and ADA compliance were completed in the late 1990s and early 2000s.
- Many types of facility needs were identified by the District's Facilities Master Plan ("FMP") effort. Facilities projects at all schools for capital and infrastructure improvements, such as air conditioning, roofs, and windows, are estimated to cost \$100 million. Facilities projects expected to be needed in the future are estimated to cost an additional \$180 million (a total of \$280 million).

II. Introduction to School Funding and Budget

The District's General Fund revenues are approximately \$50 million this year, and comprise 90% of the District's total revenue, and nearly 90% of the General Fund revenue is the expenditure for District teachers and staff.

The District is just beginning to see recovery from the effects of the recession, with the 2015-16 General Fund currently at a level commensurate with that of 2008-09.

General property taxes are levied Statewide at 1% of assessed value, as per the California Constitution, Article XIII A (Proposition 13 passed in 1978). Of these property taxes, in Orange County, schools County-wide receive less than half of the property tax collected. School districts cannot levy income tax, sales tax, hotel tax, or gas tax.

The School District has been responsible in maintaining facilities by going through modernization efforts in 1997-98 and 2003-06. In 2013 the District installed solar panels at all 10 school sites, which reduces operating expenses by lowering energy costs.

The District has some unique financial assets. The District owns an office building called "Crossroads" with an estimated value of \$5 million. Currently all positive cash flow is being reinvested in the building. Moiola School is a closed site currently leased to a

private school, Le Port School, and is generating approximately \$500,000 in annual income. The District has \$35 million from the sale of surplus properties invested with the Orange County Treasurer.

Currently there are two sources of facilities funding which are utilized on an annual basis:

- Developer fees, collected when a building permit is issued within the District (Capital Facilities Fund) are budgeted in the amount of \$175,000 for Fiscal Year 2015-16.
- Solar rebates and annual investment earnings are budgeted in the amount of \$400,000 for Fiscal Year 2015-16.

The State has a program for funding school construction projects for which the District may qualify. but these funds are expected to require a local match of 60% local to 40% State. The State school construction program is currently out of funds and awaiting passage of a State bond measure in November 2016 to provide funding.

In either case, whether State funding is available or not, an additional source of locally controlled dedicated facilities funding is needed to address the most urgent needs.

Locally, general obligation bonds can be approved in two ways: by a 2/3 voter approval or a 55% voter approval of the measure. The differences between the two types of measures include the types of projects that can be funded, the timing of elections, tax rates, and other factors. A 55% voter approval general obligation bond measure requires a maximum projected tax levy limitation of \$30 per \$100,000 of assessed value, and includes a citizens' oversight committee to ensure funds are being spent correctly and includes additional accountability requirements.

We reviewed the District's current and historical tax base, its drivers, demographic characteristics, and current tax rates, and we explored the potential of a general obligation bond measure.

Key information identified:

- The District could have a \$59.3 million general obligation bond measure within the \$30 maximum projected tax levy limitation. After estimated costs, this would generate a budget of \$57.9 million for facilities projects.
- Current ad valorem property taxes in the District for all governmental purposes are \$1.06 per \$100 of assessed value, therefore \$30 per \$100,000 adds \$0.03 for a total of \$1.09.
- The median single-family residential property has an assessed value of \$326,134. Single-family residential properties comprise 96% of the District's tax base.
- Current academic research demonstrates that, "passage of a bond measure causes housing prices to rise by about 6%", which implies that home values are increased, "\$1.50 or more for \$1.00 in additional school capital spending."

III. Public Information Research

Public information research was conducted via a scientific survey in November 2014 and presented to the Board of Trustees. 400 community members within the District were surveyed over the telephone. The margin of error in the findings was +/- 4.87%.

Key information that we learned:

- Improving the quality of education in local schools was the single most important issue cited by those surveyed in the community, with 82% considering it very important or extremely important.
- Over 75% of those surveyed in the community believes there is a need for additional money to fund school facilities.
- 83.5% of those surveyed in the community believes that good schools help protect local property values.
- The majority of those surveyed in the community believes the District provides a quality education and manages its finances well.
- Priorities for funding included upgrades and modernization to school facilities, and updating science labs and technology equipment.

School Site Research

Input was gathered from schools on their top priorities. Nine out of ten schools cited indoor environment as their top priority (note Plavan did not identify it as a top priority as it has air conditioning).

Consensus Recommendations

We agreed to report the following from our efforts:

Facilities

The District should:

- Have a quality of facilities which matches and enhances the high quality of education provided
- Prioritize facilities projects as follows:
 - Classroom environment improvements focusing on air quality, climate and windows reflecting efficient energy management
 - Heating ventilation air conditioning (HVAC) systems, including basic infrastructure upgrades to support them
 - Program spaces and 21st century learning environment upgrades as stated in the Facilities Master Plan

Funding

The District should:

- Pursue a general obligation bond measure to fund educational infrastructure and facilities improvements
- Seek matching funds from the State school construction program
- Consider the allocation of other District funds/assets

Community Engagement and Information

The District should:

- Raise awareness in the community about the need for additional funds for school facilities improvements
- Educate the community about the increase to property values from investing in school facilities (projected \$1.50 return on \$1.00 invested)
- Employ a wide range of media in the District's community outreach and education efforts
- Be thoughtful and strategic about the type of community engagement that suits different people
- Use resources efficiently

Accountability

The District should:

- Establish a citizens' oversight committee for the general obligation bond measure
- Conduct annual independent audits of bond measure funds
- Review bond expenditures to ensure that bond measure funds are spent in an equitable manner and only on those projects identified in the facilities project list
- Provide ongoing communication and regular updates to the community