

FISCAL CRISIS
& MANAGEMENT ASSISTANCE TEAM

Nuview Union Elementary School District

Unification Review

Including the following districts:

Perris Union High School District
Perris Elementary School District
Menifee Union Elementary School District
Romoland Elementary School District

January 18, 2007

FISCAL CRISIS
& MANAGEMENT ASSISTANCE TEAM



Administrative Agent
Larry E. Reider
Kern County
Superintendent of Schools

Chief Executive Officer
Joel D. Montero

FCMAT
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& MANAGEMENT
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January 18, 2007

Dr. Jay Hoffman, Superintendent
Nuvview Union Elementary School District
29780 Lakeview Avenue
Nuevo, CA 92567

Dear Superintendent Hoffman:

In March 2006, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement with the Nuvview Union Elementary School District for a management review. Specifically, the agreement asked FCMAT to do the following:

1. Conduct a review of the fiscal impact only of the proposed reorganization of the Nuvview Union Elementary School District, Perris Union High School District, Perris Elementary District, Romoland School District and Menifee Union School District for the following two options:

Option 1

Simultaneous unifications of the Nuvview Union Elementary, Perris Elementary District, Romoland School District and the Menifee Union School District with the inclusion of the Perris Union High School District along each elementary district's boundaries to form four separate single unified school districts pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process if approved by the Board of Trustees.

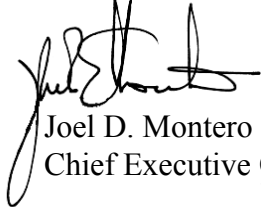
Option 2

Unification of the Menifee Union School District and a portion or modification of Perris High School District boundaries or more specifically the Paloma High School as a single unified school district pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Board of Trustees.

2. Review for both options the districts' division of real property holdings, redevelopment entitlements, and other obligations pursuant to Education Code Section 35736.

FCMAT visited the district August 14-16, 2006. This report is the result of that effort. We appreciated the opportunity to serve you, and we extend our thanks to all the staff of the Nuview Union Elementary School District.

Sincerely,



Joel D. Montero
Chief Executive Officer

C: Dr. Linda Callaway, Superintendent, Menifee Union School District
Edward Agundez, Superintendent, Perris Elementary School District
Dennis Murray, Superintendent, Perris Union High School District
Roland Skumawitz, Superintendent, Romoland School District
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Perris Union High School District

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Foreword

FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans

Since 1992, FCMAT has been engaged to perform more than 600 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

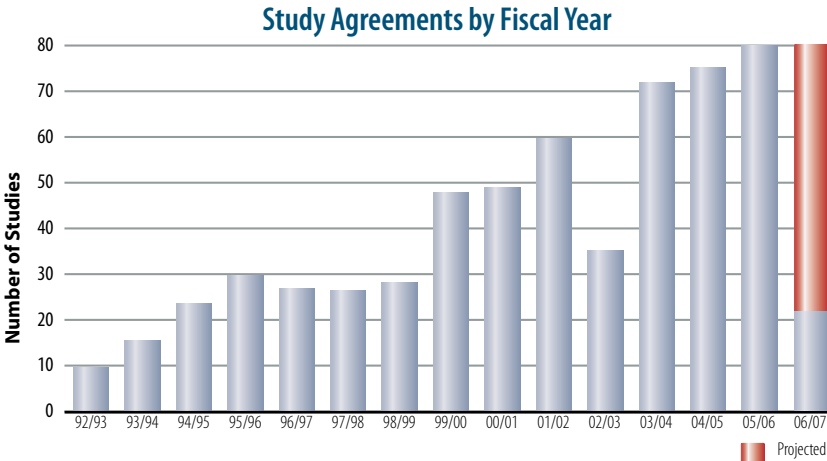
Total Number of Studies 604

Total Number of Districts in CA..... 982

Management Assistance.....	555	(91.89%)
Fiscal Crisis/Emergency	42	(6.95%)
Emergency Loan.....	7	(1.16%)

Note: Some districts had multiple studies

(Rev. 9/21/06)



Introduction

Background

In March 2006, the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the Nuvview Union Elementary School District to perform a management review for the Nuvview Union Elementary, Perris Elementary, Romoland Elementary, Menifee Union Elementary and Perris Union High school districts consisting of the following:

1. Conduct a review of the **fiscal impact only** of the proposed reorganization of the districts referenced above for the following two options: *(The study does not include the evaluation of the state's nine criteria pursuant to Education Code 35753 for either option. This component has been provided in a previous study.)*
The computation of the base revenue limit for the newly organized school districts will be based on the current information available for each affected school district for the second principal apportionment of the 2005-06 fiscal year and will be used for budgetary estimates of ADA, full-time equivalent employees (FTEs), salaries and benefits. None of the school districts is or will in the foreseeable future become a "basic aid" school district.

Option 1:
Includes the simultaneous unification of the Nuvview Union Elementary, Perris Elementary District, Romoland School District and the Menifee Union School District with the inclusion of the Perris Union High School District along each elementary district's boundaries to form four separate single unified school districts pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Board of Trustees.

Option 2:
Include the Menifee Union School District and a portion or modification of Perris High School District boundaries or more specifically the Paloma Valley High School as a single unified school district pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Board of Trustees.
2. Review for both options the districts' division of real property holdings, redevelopment entitlements, and other obligations pursuant to Education Code Section 35736.

Fiscal Impact of the Unification of Menifee:

- A. Detailed analysis of Perris Union High School District's (PUHSD) debt:
1. Original COPS for Paloma Valley High School.
 2. Refinanced COPS and the portion attributable to Menifee should unification occur.
 3. The portion of the G.O. bonds which Menifee would be obligated to pay upon unification.
 4. The portion of Community Facilities District bonds which Menifee would be obligated to pay upon unification.
 5. Other debt which Menifee would be obligated to pay upon unification.
 6. Terms of existing contracts with personnel of PUHSD who would become employees of Menifee Union School District (MUSD) upon unification.
- B. Detailed analysis of PUHSD's revenues:
1. Available to MUSD to pay the COPS or refinanced COPS upon unification.
 2. Assessments available to pay G.O. or CFD bonds.
 3. Other revenues/assets to pay employee contracts or other obligations of PUHSD upon unification.
- C. Detailed analysis of assets other than Paloma Valley High School which would likely accrue to Menifee Union School District upon unification.
- D. An inspection of Paloma Valley High School to determine its overall state of repair and/or need for upgrade or expansion.

Located in the western portion of Riverside County the Nuvview Union Elementary, Menifee Union Elementary, Perris Elementary, Romoland Elementary and Perris Union High school districts each have a separate Governing Board consisting of five elected representatives. For the past several years, enrollment has been growing in each district. These five school districts are the only ones in Riverside County that are not unified.

The Nuvview Union Elementary School District serves 1,829 students (October 2005 CBEDS) in two elementary schools, one middle school and one charter high school. The district is approximately 44 square miles in size and includes the unincorporated communities of Nuevo, Lakeview and portions of Homeland and Juniper Flats.

The Menifee Union Elementary School District serves 7,444 students (October 2005 CBEDS) in six elementary schools and two middle schools. The district is approximately 58 square miles in size and includes the unincorporated communities of Menifee, Sun City and Quail Valley and portions of the cities of Murrieta, Lake Elsinore and Perris.

The Perris Elementary School District serves 5,441 students (October 2005 CBEDS) in seven elementary schools. The district is approximately 55 square miles in size and is located in the City of Perris.

The Romoland Elementary School District serves 2,130 students (October 2005 CBEDS) in three kindergarten through eighth grade schools. A fourth K-8 school is currently under construction. The district is approximately 32 square miles in size and includes the unincorporated communities of Romoland and Homeland.

The Perris Union High School District serves 8,557 students (October 2005 CBEDS) in one middle school, two comprehensive high schools, one continuation school, one community day school, and two charter schools. The district also includes one adult education school. A third comprehensive high school (Heritage High) is currently being constructed. The high school district is approximately 184 square miles in size and serves the feeder districts of Menifee, Nuvview, Perris and Romoland.

Study Team

The FCMAT study team was composed of the following members:

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Rip Courter, Ph.D.*
Director of Maintenance
Sweetwater Union High School District

*As a member of the study team, this consultant was not representing his employer but was working solely as an independent consultant for FCMAT.

Study Guidelines

FCMAT visited the districts on August 1, 2006, to conduct an orientation meeting. FCMAT also visited each of the districts on August 14-16, 2006, to conduct interviews, collect data and review documentation. This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Education Code Criteria
- III. Revenue Limit
- IV. Division of Assets & Liabilities
- V. Unification Implementation Issues
- VI. Inspection of Paloma Valley High School
- VII. Option 1
- VIII. Option 2
- IX. Appendices

Executive Summary

Unification is the process in which an entire elementary district and high school district or portions of them are reorganized into a unified district serving students in kindergarten through 12th grade. Although unionizations involve the merging of two or more districts with similar grade-level configurations, unifications involve districts that are configured on an elementary or secondary basis, expanding the number of grades they serve to include K-12 student populations. The unification or consolidation of districts often provides increased organizational efficiency and economies of scale as well as enables the school districts to reduce expenditures through consolidation of services.

This study did not evaluate the proposed school district reorganization on the merits of the criteria stated in Education Code Section 35753. Rather, it focuses solely on the fiscal impacts of unification.

When districts unify, the new revenue limit is calculated using a two-step process. The first step is to blend the base revenue limits of the affected districts. This calculation is revenue neutral and yields no additional revenue. The second step is to “level up” the districts with the lower average costs for certificated and classified full-time equivalent employees (FTE) to the level of the district with the higher average costs per FTE. The process is accomplished once for the classified and once for the certificated employee groups. This adjustment is then added to the blended base revenue limit. The adjustment to the new revenue limit is based exclusively on the differences in *average* cost per FTE and not on the *actual* costs of bringing all employees to a common salary schedule. Therefore, depending on an individual district’s particular circumstances, the revenue limit adjustment may or may not be sufficient to cover the actual costs.

In analyzing the revenue limit calculations for the four proposed unified districts, it should be noted that the Nuvview Union Elementary School District would receive a very small “level up” adjustment compared to the other districts. This is because Perris Union High cannot be used as the “level up” target for salary and benefit costs in this particular calculation since these students do not provide at least 25% of the ADA to the proposed unified district. This can be attributed in part to the enrollment of the charter high school, which is not used in the “level up” calculation.

Option one of this proposal includes unifying the Nuvview Union Elementary School District with a portion of the Perris Union High School District. This proposed unified district boundary does not currently have a high school facility. It is important to note that the Education Code requires facilities to be constructed to serve the students in a newly unified school district within five years of unification or the district may lapse.

The districts should also be aware that the Perris Elementary district has qualified, in part, for financial hardship based on a bonded indebtedness in excess of 60% of its bonding capacity. Any change to the district through reorganization would require the successor district to file a new application to determine both eligibility and financial hardship status under the State School Facilities Program.

Other unification implementation issues to consider include the new districts' Medicare status, the protection provided to classified employees and the disposition of real property and bonded indebtedness. These items are included in detail in the following report.

Nuview and Portion of Perris High

Based on FCMAT's analysis of the data as it relates to the *fiscal impact* of the unification proposals, it is not recommended that the districts proceed with the Nuview Unification proposal (Nuview Union Elementary with the portion of Perris Union High School District that is coterminous with the elementary boundaries) at this time. The proposed Nuview Unified District would receive only a minimal amount of "level up" dollars and currently lacks facilities for high school students. The estimated salary and benefit adjustment per ADA is \$14.54, and the total estimated add-on for this unification proposal is \$27,274.

Education Code Section 35735.2, states that if there are no suitable facilities for all students in a newly organized district, its base revenue limit initially will only be blended and not adjusted for the differential in salary and benefits. However, as the new district obtains suitable facilities, the revenue limit is increased for the salary and benefit adjustments. This code section goes on to state that if the district is still unable to provide suitable school facilities five years after the effective date of the reorganization, the California Department of Education shall annually report to the State Board of Education as to whether the district should be lapsed. If the California Department of Education recommends lapsation, and the State Board of Education concurs, the State Board may direct the County Committee on School District Organization to lapse the school district.

Romoland and Portion of Perris High

Based on *fiscal impact*, FCMAT recommends that the districts not proceed with the Romoland Unification proposal (Romoland Elementary with the portion of Perris Union High School District that is coterminous with the elementary boundaries) at this time. Given the amount of general obligation bond debt that would be transferred from the Perris Union High School District, the proposed Romoland Unified District's bonded indebtedness would be approximately 3.4% of current assessed valuation. The estimated salary and benefit adjustment per ADA is \$118.66, and the estimated add-on amount for this unification proposal is \$326,767.

In addition to the amount of bonded indebtedness that would pass to the proposed Romoland Unified District, the ability to fund the daily operational costs of Heritage High is also of concern. Heritage High, currently under construction, was designed based on a philosophy of open enrollment. It is also being constructed for a much larger student population than the current number of high school students, 699, in the Romoland attendance area. Therefore, the unification process would likely not provide sufficient dollars to cover the operational costs of the new high school.

Perris and Portion of Perris High

It is FCMAT's opinion that, based on *fiscal impact*, the Perris Unification proposal (Perris Elementary with the portion of Perris Union High School District that is coterminous with the elementary boundaries) may be feasible. However the districts should first investigate what effect the unification would have on Perris Elementary's current financial hardship status in the State School Facilities Program. The estimated salary and benefit adjustment per ADA is \$150.41, and the estimated add-on amount for this unification proposal is \$1,347,112

Menifee and Portion of Perris High

It is FCMAT's opinion that, based on *fiscal impact*, the Menifee Unification proposal (Menifee Union Elementary with the portion of Perris Union High School District that is coterminous with the elementary boundaries) may be feasible. This recommendation assumes that the annual proceeds from the community facilities districts are sufficient to service the annual debt payment on the Certificates of Participation. However, given the October, 2004 study completed by School Services of California, the districts should first complete a thorough analysis of the unification proposal as it relates to Education Code Section 35753(a)(4) regarding racial or ethnic segregation. The estimated salary and benefit adjustment per ADA is \$126.90, and the estimated add-on amount for this unification proposal is \$1,231,547.

It does not appear to be feasible for all the districts to unify simultaneously at this time, but if any of the districts decide to proceed with a unification proposal, discussions should take place among all the districts regarding the effects the proposed unifications would have on the Perris Union High School District.

Findings and Recommendations

Education Code Criteria

Unification may be initiated either by voter petition or by petitions of the affected governing boards. In either event, the county committee and the State Board of Education must determine the impact of the unification based on the criteria enumerated in Education Code Section 35753. This study did not evaluate the proposed school district reorganization on the merits of the following criteria. Rather, it focuses solely on the fiscal impact of unification. The Education Code criteria are as follows:

1. The reorganized districts will be adequate in terms of number of pupils enrolled.
2. The districts are each organized on the basis of a substantial community identity.
3. The proposal will result in an equitable division of property and facilities of the original district or districts.
4. The reorganization of the districts will preserve each affected district's ability to educate students in an integrated environment and will not promote racial or ethnic discrimination or segregation.
5. Any increase in costs to the state as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.
6. The proposed reorganization will continue to promote sound education performance and will not significantly disrupt the educational programs in the districts affected by the proposed reorganization.
7. Any increase in school facilities costs as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.
8. The proposed reorganization is primarily designed for purposes other than to significantly increase property values.
9. The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district affected by the proposed reorganization.
10. Any other criteria as the board may, by regulation, prescribe.

A more thorough understanding of the unification process and the criteria enumerated in the Education Code can be found in the District Organization Handbook published by the California Department of Education. The handbook is located at the following Web site: <http://www.cde.ca.gov/re/lr/do/>. Another resource is the unification study completed by School Services of California, Inc. dated October, 2004.

Recommendation

If one or more districts proceed with unification, the districts should:

1. Conduct a review and analysis of the nine criteria for reorganization as enumerated in Education Code 35753.

Revenue Limit

FCMAT obtained from each district its 2005-06 second interim report, 2005-06 second principal apportionment reports and position control report (dated August, 2006) for salaries and benefits of certificated and classified full-time equivalents (FTEs). None of the affected school districts are or will in the foreseeable future become a basic-aid school district, nor are there any necessary small schools in the unification area. As described in the following section, the computation was made in accordance with Education Code Section 35735.1.

Computing the Unified District's Revenue Limit

Upon unification of school districts, the revenue limit for the new unified district is computed through two steps (Education Code Sections 35735 et seq.): (1) a blending of the former elementary and high school district revenue limit amounts per average daily attendance (ADA); and, (2) an adjustment made as a revenue limit add-on for the difference between the average salary and benefit costs between the two districts.

The adjustment for the difference in average salaries and benefits is the only “new money” that results from unification. The first part of the calculation is revenue neutral since it is a mere blending of the two different revenue limit amounts based on proportional elementary and high school ADA. The second part adds money per ADA in recognition that a common salary schedule for each bargaining unit must be adopted at the time of unification. Even if common salary schedules are in use at the time of unification, the law allows for an adjustment to be made.

The new Governing Board of the unified district retains the right to negotiate all salary costs to higher or lower levels with the exception of the classified staff, which has a two-year right to continued employment at the rate of pay and benefits that was in effect at the time of unification, subject to mutual negotiation. The districts should also bear in mind the provisions of Education Code Section 45028, which requires that the certificated staff be paid on a uniform salary schedule.

Computation Results

The estimated revenue limits have been computed for Option 1: Four unified school districts and for Option 2: Menifee Unified School District. A summary of the calculation is as follows:

Summary of Revenue Limit Calculations

<u>Unification Area</u>	<u>Elem. District Base Revenue Limit Before Unification (2005-06)</u>	<u>Estimated Blended Base Unified District Revenue Limit</u>	<u>Estimated Salary & Benefit Adjustment Per ADA</u>	<u>Estimated Unified School District Revenue Limit</u>	<u>Total Estimated Add-On Dollars</u>	<u>Total Estimated Add-On Percentage</u>
Option 1: Four Unified Districts						
Nuview Area	\$ 4,966.41	\$ 5,154.24	\$ 14.54	* \$ 5,168.77	\$ 27,274	0.28%
Perris Area	4,956.10	5,388.26	150.41	5,538.67	\$ 1,347,112	2.79%
Romoland Area	4,954.95	5,214.48	118.66	5,333.15	\$ 326,767	2.28%
Menifee Area	4,951.33	5,226.41	126.90	5,353.32	\$ 1,231,547	2.43%
Option 2: Menifee Unified						
Menifee Area	\$ 4,951.33	\$ 5,226.41	\$ 126.90	\$ 5,353.32	\$ 1,231,547	2.43%

**The salary and benefit adjustment would have been higher had Perris High contributed 25% or more of the proposed unified school district's total ADA. For Nuview this would have yielded an estimated \$180 additional salary and benefit adjustment.*

It should also be noted that the actual revenue limit for the proposed unified school district(s) is computed on the second prior fiscal year to the effective date of the unification. For example, if the unification is effective July 1, 2007, the base year for the calculation is 2005-06. Given the lengthy time lines necessary to plan, process and approve unifications; it is unlikely the unification could be effective July 1, 2007. Therefore, these estimates are helpful for planning purposes, but the estimated revenue limit would need to be recalculated based on data two years prior to the actual unification date. The previous calculations are based on a “snapshot” in time, therefore, fluctuations in variables such as the number of full-time equivalent employees, changes in salary and benefit costs as well as changes in average daily attendance could increase or decrease these estimates.

While the law provides for a revenue limit adjustment based on salary and benefit differentials of reorganized districts, the calculation is based on the average costs of salaries and benefits for certificated and for classified employees in each district. The calculation is not based on the actual cost of moving employees to higher salary and benefit schedules. Therefore, depending on an individual district’s particular circumstances, the revenue limit adjustment may or may not be sufficient to cover the actual cost. While there is no requirement to move employees to the higher salary schedule, there is often an expectation that this will occur. Each district should calculate the cost for its specific scenario as the state-required calculation provides for an adjustment based on average employee cost rather than the cost of moving all employees to the highest schedule. The actual district cost may be more or less than is provided in the level-up calculation.

Since the base revenue limit for the new district must be calculated using data from the second year prior to the effective date of the reorganization, the law provides for the new revenue limit to be adjusted for inflation increases such as the Cost-of-Living Adjustment (COLA) that occurs between the time the calculations are completed and the effective date of the reorganization. The new base revenue limit also receives any other adjustments for which it would have been eligible had the reorganization been effective two fiscal years earlier.

The 10 Percent Limitation

Education Code Section 35735.1(a)(4)(A) limits the increase in a new base revenue limit through school district reorganization to no more than 10% more than the blended revenue limit. In addition, state law stipulates that the new base revenue limit cannot exceed the amount included in the petition to reorganize.

Using financial information provided by the districts, the study team has determined that the base revenue limit for a Nuvview Unified District would be \$5,168.77; Perris Unified District would be \$5,538.67; Romoland Unified District would be \$5,333.15; and Menifee Unified District would be \$5,353.32. None of the proposed districts exceeded the 10 percent limitation as is shown in the following data:

Recommendations

If one or more districts proceed with unification, the districts should:

1. Complete an analysis of their current salary schedule placement for all affected employees to determine if the funds provided through the “level up” calculation are sufficient to move all employees to a common salary and benefit schedule.

14 | FINDINGS AND RECOMMENDATIONS
Revenue Limit

Nuview Unified School District		
High School District	Elementary School District	Totals

Computation of the Unified District's Estimated Blended Revenue Limit

Base Revenue Limit per ADA	\$ 5,977.03	\$ 4,966.41	
Revenue Limit ADA (Excludes Charter School ADA)*	7,441.92	1,527.66	
Total Revenue Limit Dollars	\$ 44,480,579	\$ 7,586,986	\$ 52,067,565
Estimated ADA to Unified District	348.73	1,527.66	1,876
Percentage of Original District	4.69%	100.00%	
Percentage of Proposed Unified District	18.59%	81.41%	
25% Test Met?	no	yes	
Est. Unified District Revenue Limit Dollars	\$ 2,084,370	7,586,986	<u>\$ 9,671,356</u>
Est. Blended Unified Base Revenue Limit Per ADA			<u>\$ 5,154.24</u>

Salary and Benefit Adjustment (Highest Average is in Bold)

			<u>Add-on Dollars</u>
Classified Salaries and Benefits	\$ 527,773.96	\$ 3,812,023.00	
Classified FTEs	11.19	87.98	
Average Classified Salary and Benefits	\$ 47,160.99	\$ 43,328.29	
Adjustment to Highest Average		\$ 3,832.70	\$ 337,201.27
			(25% test failed,
Certificated Salaries and Benefits	\$ 1,484,012.76	\$ 6,999,211.00	no add-on allowed)
Certificated FTEs	19.93	92.30	
Average Certificated Salary and Benefits	\$ 74,462.56	\$ 75,831.11	
Adjustment to Highest Average	\$ 1,368.55		27,274.71
Total Allowed Add-On Dollars			<u>\$ 27,274.71</u>

Estimated Revenue Limit for the Proposed Unified District:

Est. Blended Unified Base Revenue Limit Per ADA	\$ 5,154.24		
Add-on Dollars per ADA		\$ 14.54	(.28%)
Cap at 10%		\$ 515.42	
Lesser of Add-on or 10% Cap	<u>\$ 14.54</u>		

Total Est. Unified District Revenue Limit per ADA **\$ 5,168.77**

*Perris High's P-2 ADA is understated by 70.34 as these students could not be traced back to their feeder district. Rounding has been used in all calculations.

Perris Unified School District

	<u>High School District</u>	<u>Elementary School District</u>	<u>Totals</u>
<u>Computation of the Unified District's Estimated Blended Revenue Limit</u>			
Base Revenue Limit per ADA	\$ 5,977.03	\$ 4,956.10	
Revenue Limit ADA (Excludes Charter School ADA)*	7,441.92	5,165.18	
Total Revenue Limit Dollars	\$ 44,480,579	\$ 25,599,149	\$ 70,079,728
Estimated ADA to Unified District	3,791.25	5,165.18	8,956
Percentage of Original District	50.94%	100.00%	
Percentage of Proposed Unified District	42.33%	57.67%	
25% Test Met?	yes	yes	
Est. Unified District Revenue Limit Dollars	\$ 22,660,415	25,599,149	\$ 48,259,564
Est. Blended Unified Base Revenue Limit Per ADA			<u>\$ 5,388.26</u>

<u>Salary and Benefit Adjustment (Highest Average in Bold)</u>	<u>Add-on Dollars</u>		
Classified Salaries and Benefits	\$ 5,737,742.72	\$ 10,033,362.42	
Classified FTEs	121.66	228.61	
Average Classified Salary and Benefits	\$ 47,160.99	\$ 43,888.55	
Adjustment to Highest Average		\$ 3,272.44	\$ 748,112.47
Certificated Salaries and Benefits	\$ 16,133,580.04	\$ 26,256,464.13	
Certificated FTEs	216.67	339.99	
Average Certificated Salary and Benefits	\$ 74,462.56	\$ 77,227.17	
Adjustment to Highest Average	\$ 2,764.61		598,999.81
Total Allowed Add-On Dollars			<u>\$ 1,347,112.29</u>

Estimated Revenue Limit for the Proposed Unified District:

Est. Blended Unified Base Revenue Limit Per ADA	\$ 5,388.26		
Add-on Dollars per ADA		\$ 150.41	(2.79%)
Cap at 10%		\$ 538.83	
Lesser of Add-on or 10% Cap	<u>\$ 150.41</u>		

Total Est. Unified District Revenue Limit per ADA **\$ 5,538.67**

*Perris High's P-2 ADA is understated by 70.34 as these students could not be traced back to their feeder district. Rounding has been used in all calculations.

Romoland Unified School District

	<u>High</u> <u>School District</u>	<u>Elementary</u> <u>School District</u>	<u>Totals</u>
<u>Computation of the Unified District's Estimated Blended Revenue Limit</u>			
Base Revenue Limit per ADA	\$ 5,977.03	\$ 4,954.95	
Revenue Limit ADA (Excludes Charter School ADA)*	7,441.92	2,054.50	
Total Revenue Limit Dollars	\$ 44,480,579	\$ 10,179,945	\$ 54,660,524
Estimated ADA to Unified District	699.25	2,054.50	2,754
Percentage of Original District	9.40%	100.00%	
Percentage of Proposed Unified District	25.39%	74.61%	
25% Test Met?	yes	yes	
Est. Unified District Revenue Limit Dollars	\$ 4,179,438	10,179,945	\$ 14,359,383
Est. Blended Unified Base Revenue Limit Per ADA			<u>\$ 5,214.48</u>
<u>Salary and Benefit Adjustment (Highest Average in Bold)</u>			<u>Add-on Dollars</u>
Classified Salaries and Benefits	\$ 1,058,256.93	\$ 2,962,194.18	
Classified FTEs	22.44	68.69	
Average Classified Salary and Benefits	\$ 47,160.99	\$ 43,122.84	
Adjustment to Highest Average		\$ 4,038.15	\$ 277,388.84
Certificated Salaries and Benefits	\$ 2,975,642.82	\$ 9,280,600.18	
Certificated FTEs	39.96	122.60	
Average Certificated Salary and Benefits	\$ 74,462.56	\$ 75,698.21	
Adjustment to Highest Average	\$ 1,235.65		49,378.60
Total Allowed Add-On Dollars			<u>\$ 326,767.43</u>
<u>Estimated Revenue Limit for the Proposed Unified District:</u>			
Est. Blended Unified Base Revenue Limit Per ADA	\$ 5,214.48		
Add-on Dollars per ADA		\$ 118.66	(2.28%)
Cap at 10%		\$ 521.45	
Lesser of Add-on or 10% Cap	<u>\$ 118.66</u>		
Total Est. Unified District Revenue Limit per ADA	<u>\$ 5,333.15</u>		

*Perris High's P-2 ADA is understated by 70.34 as these students could not be traced back to their feeder district.
Rounding has been used in all calculations.

Menifee Unified School District

	High School District	Elementary School District	Totals
<u>Computation of the Unified District's Estimated Blended Revenue Limit</u>			
Base Revenue Limit per ADA	\$ 5,977.03	\$ 4,951.33	
Revenue Limit ADA (Excludes Charter School ADA)*	7,441.92	7,101.94	
Total Revenue Limit Dollars	\$ 44,480,579	\$ 35,164,049	\$ 79,644,628
Estimated ADA to Unified District	2,602.68	7,101.94	9,705
Percentage of Original District	34.97%	100.00%	
Percentage of Proposed Unified District	26.82%	73.18%	
25% Test Met?	yes	yes	
Est. Unified District Revenue Limit Dollars	\$ 15,556,296	35,164,049	\$ 50,720,345
Est. Blended Unified Base Revenue Limit Per ADA			\$ 5,226.41

Salary and Benefit Adjustment (Highest Average in Bold)

Add-on Dollars

Classified Salaries and Benefits	\$ 3,938,940.51	\$ 11,084,761.12	
Classified FTEs	83.52	257.49	
Average Classified Salary and Benefits	\$ 47,160.99	\$ 43,049.29	
Adjustment to Highest Average		\$ 4,111.71	\$ 1,058,723.29
Certificated Salaries and Benefits	\$ 11,075,646.84	\$ 33,841,949.44	
Certificated FTEs	148.74	447.50	
Average Certificated Salary and Benefits	\$ 74,462.56	\$ 75,624.47	
Adjustment to Highest Average	\$ 1,161.91		172,824.16
Total Allowed Add-On Dollars			\$ 1,231,547.45

Estimated Revenue Limit for the Proposed Unified District:

Est. Blended Unified Base Revenue Limit Per ADA	\$ 5,226.41		
Add-on Dollars per ADA		\$ 126.90	(2.43%)
Cap at 10%		\$ 522.64	
Lesser of Add-on or 10% Cap	\$ 126.90		

Total Est. Unified District Revenue Limit per ADA **\$ 5,353.32**

*Perris High's P-2 ADA is understated by 70.34 as these students could not be traced back to their feeder district.
Rounding has been used in all calculations.

Division of Assets and Liabilities

As a practical matter, the division of assets and liabilities is typically addressed in the petition for reorganization. This topic sometimes provides grounds for the rejection of the petition if the projected division appears out of balance. In any event, if the parties still can't agree on this matter after the election, the dispute is subject to binding arbitration pursuant to Education Code Section 35565.

As disputes regarding the reorganization of school districts have arisen over the years, legislatures and courts from throughout the United States have come to agree on a variety of basic principles addressing the division of assets and liabilities. In general, legislatures are allowed to distribute assets and liabilities in any manner that does not affect existing contracts. The U.S. Constitution contains a clause prohibiting the impairment of contracts. Article I, Section 10 provides that "No State shall...pass any...Law impairing the Obligation of Contracts." The California Constitution has a similar provision, protecting contractual rights from being impaired at a subsequent time.

Unless there is a specific statutory provision to the contrary, most courts have determined that real property remains under control of the district in which it is located after changes have been made. However, a district's real property has been deemed to be the property of the state, held in trust by the district for the state and used by the district to carry out the state's constitutional obligation of providing educational opportunities for the state's children.

Finally, unless a state constitution provides otherwise, legislatures have almost unlimited authority to provide a formula for the division of both property and debts. For example, typical statutes provide that a designated agency such as the county office of education must distribute assets and liabilities equitably.

Perhaps the most controversial issue surrounding the division of assets and liabilities centers on the disposition of property. At the outset, the legal distinction between the terms "real property" and "personal property" should be noted.

- *Real property* is defined as "land, and generally whatever is erected or growing upon or affixed to land."
- *Personal property* is defined as "everything that is the subject of ownership, not coming under denomination of real estate." The term is generally applied to "property of a personal or movable nature, as opposed to property of a local or immovable character (such as land or houses)."
- In addition, *fixtures* are defined as items that have been so affixed to the land that they have ceased being personal property and have become part of the realty.

Real Property

Education Code Sections 35560 and 35573 describe the disposition of real property and bonded indebtedness, respectively, when districts reorganize through unification. Education Code 35560 states the following:

When a school district is reorganized and when the allocation of funds, property, and obligations is not fixed by terms, conditions, or recommendations as provided by law, the funds, property, and obligations of a former district, except for bonded indebtedness, shall be allocated as follows:

(a) The real property and personal property and fixtures normally situated thereat shall be the property of the district in which the real property is located. (b) All other property, funds, and obligations, except bonded indebtedness, shall be divided pro rata among the districts in which the territory of the former district is included. The basis for the division and allocation shall be the assessed valuation of the part of the former district which is included within each of the districts.

In this respect, real property will become the real property of the unified school district. The value of the Perris Union High School District's property and buildings are not included in the following asset and debt schedule. If the districts proceed with unification, they may wish to hire a qualified appraiser to establish the fair market value of the property and buildings. Similarly, Education Code 35573 states the following:

When any school district is in any manner merged with one or more school districts so as to form a single district by any procedure, the district so formed is liable for all of the outstanding bonded indebtedness of the districts united or merged.

However, according to Education Code Section 35577, whenever an existing school district having authorized but unsold bonds is completely divided between two or more districts so that the existing district ceases to exist, pursuant to any provision of this chapter, the board of supervisors shall, prior to the date the action is effective for the purposes of Section 35534, make and enter an order in the minutes of its proceedings that the authorization to issue the unsold bonds be divided between the districts in the ratio which the assessed valuation of the territory transferred to the districts bears to the total assessed valuation of the former district.

Funds from the Sale of Bonds

Funds from the sale of previously issued school bonds may be used for the acquisition, construction, or improvement of *only* the school property that was part of the former district or for such use in that same district. However, pursuant to Education Code Section 35561, if the newly formed district accepts the former district's bonded indebtedness, the funds may be used anywhere in the new district and for the same voted purpose.

Central Office Administrative Sites

Education Code Section 35560 (a) provides that "the real property...shall be the property of the district in which the real property is located." This language indicates that after reorganization, the real property simply becomes the property of the district where it is located. It could be argued that in a multidistrict unification, the former central office of the Perris Union High School District would be allocated to the Perris Unified District.

Personal Property of District Located at Central Administrative Offices

Also at issue is the disposition of items located at central administrative offices, including transportation and maintenance facilities. In addition to furniture, computers, copy machines, telecommunications devices, and other office machines, this would include material in clearinghouses, supply warehouses, and textbook storage facilities. Education Code Section 35560 (a) would suggest that the personal property “normally situated” in the district would move with the real property. However, it could be argued that items such as textbooks, supplies, instructional materials and district vehicles should be equitably divided among all districts based on ADA.

Personal Property Located at School Sites

As previously discussed, Section 35560 (a) provides that “the real property and personal property and fixtures normally situated thereat shall be the property of the district in which the real property is located.”

In addition to fixtures, items of personal property such as furniture, computers, copy machines, telecommunications devices, office machines, school supplies, and instructional materials would appear to fall within the description included in Section 35560 (a), since they seem to be “normally situated” at the local school site. These items would therefore stay with the real property in any reorganization.

Some items of personal property may be located at local school sites, but may have been there only a short time on loan from the district. These items would certainly be the subject of negotiation, since they may not be considered to be “normally situated” at the school site, and would not necessarily fit within the meaning of this statutory provision.

Distribution of Personal Property

Education Code Section 35736 states:

Plans and recommendations may include a proposal for dividing the property, other than real property, and obligations of any school district proposed to be divided between two or more school districts, or proposed to be partially included in one or more school districts. As used in this section, “property” includes funds, cash on hand, and moneys due but uncollected on the date reorganization becomes effective for all purposes, and state apportionments based on average daily attendance earned in the year immediately preceding the date reorganization becomes effective for all purposes. In providing for this division, the plans and recommendations may consider the assessed valuation of each portion of the district, the revenue limit per pupil in each district, the number of children of school age residing in each portion of the district, the value and location of the school property, and such other matters as may be deemed pertinent and equitable. Any such proposal shall be an integral part of the proposal and not a separate proposition.

Although the Education Code describes the division of personal property, it does not specifically address how the distribution will take place. Education Code Sections 35705.5 and 35736 provide for a process where districts may agree to terms and conditions of the division before submitting the petition to the State Board of Education. The following are varying methods that can be used to divide personal property as described in the District Organization Handbook:

1. Personal property may be appraised for all purposes at the current market value as of June 30 of the school year prior to the date that the new district becomes effective. This may be done by a certified appraisal firm selected by the County Superintendent from a list submitted by each of the involved districts;
2. All personal property shall be listed on an inventory by category, specifying the current market value;
3. The total value of the personal property shall be distributed equitably. Methods for such division may include the ratio that the assessed valuation of each proposed district bears to the total assessed valuation of the area, the revenue limit per student in each district, the number of school-age children residing in each portion of the district, the value and location of property, or any other method as deemed pertinent and equitable;
4. The districts shall draw lots to determine which shall have first choice and which shall have second choice. The order shall be rotated after each list of ten items is selected;
5. Items shall be made available in lots of ten. The district whose turn it is to select first may purchase its share of (ratio) the 10 items or may elect to decline to purchase any of the items in that lot of ten items. This process continues until all property has been distributed and all credits are expended;
6. Should a district decline to select a sufficient number of times so that items are remaining at the time when the other district(s) has expended its credit, the remaining district shall receive all items remaining and the distribution shall be deemed completed;
7. The necessary expenses and compensation of the appraisal shall be prorated and paid by each district on the basis of the ratio of assessed valuation. Other bases for prorating may be utilized.

When disputes arise over the division of property and obligations, Education Code Section 35565 provides for binding arbitration to resolve these disagreements. Education Code Section 35565 states the following:

If a dispute arises between the governing boards of the districts concerning the division of funds, property, or obligations, a board of arbitrators shall be appointed which shall resolve the dispute. The board shall consist of one person selected by each district from which territory is withdrawn pursuant to a reorganization action under this chapter, one person selected by each district of which territory has become a part pursuant to that reorganization action, and either one or two persons,

such that the board of arbitrators contains an odd number of persons, appointed by the county superintendent of schools of the county in which the districts are located. The districts involved may mutually agree that a person appointed as arbitrator by the county superintendent of schools may act as sole arbitrator of the matters to be submitted to arbitration. The necessary expenses and compensation of the arbitrators shall be divided equally between the districts, and the payment of the portion of the expenses is a legal charge against the funds of the school districts. The arbitrator or arbitrators shall make a written finding on the matter submitted to arbitration. The written finding and determination of a majority of the board of arbitrators is final and binding upon the school districts submitting the question to the board of arbitration.

Mello-Roos Community Facilities Districts

Mello-Roos Community Facilities Districts (CFDs) are voter-created public districts operated under the control of a board of directors. CFDs are often created to provide facilities for school districts. Special taxes are levied on the real property in the CFD to pay for construction of school facilities. The school board is then designated as the CFD's board of directors. This may cause a problem during reorganization if some or all territory in the CFD is no longer included in the creating district's boundaries. For example, if a high school district operates a CFD within its boundaries, and a unified district is formed along these same boundaries, legal measures must be taken to change the CFD's board of directors. Since the CFD board of directors has a covenant with the bond holders on the governance of the CFD, bond counsel should be consulted before any changes are made to the documents that govern the CFD. In some instances, legislation may be necessary to effect the appropriate changes.

Compensated Absences, Pensions, Post Employment Benefits and Retirement Incentives

Another issue is how to apportion payment of medical benefits for retirees among the various districts that may exist after reorganization. With existing employees, the answer is arguably simpler, since from an equity perspective, it would appear that a district could logically agree to pay the premiums for its employees. With existing retirees, an equitable distribution of these obligations on the basis of FTEs in each district would seem to be appropriate.

Similarly, it is reasonable to assume that both existing retirees and current employees whose retirement rights are vested would be protected under the Prohibition against Impairment of Contracts found in the Constitution. Issues relating to the division of responsibilities in an equitable manner are still likely to arise in a variety of possible scenarios. For example, under a multidistrict unification scenario, all the new districts will be expected to share financial responsibilities regarding an employee's prospective retirement income.

A reasonable approach to the division of liabilities would likely be similar to what was previously discussed in this report regarding post employment medical benefits, compensated absences and retirement incentive annuities. Negotiations between the respective districts would be based on the general statutory language using the number of FTEs in each district method.

Using both the statutory prescription and, in the absence of statutory guidance, industry standards, FCMAT has performed a comprehensive analysis of the Perris Union High School District's assets and liabilities. For a multidistrict unification, FCMAT recommends that assets and liabilities be distributed as demonstrated in the attached analysis for each of the four unification proposals.

Nonvoter-Approved Debt

The issuance of long-term debt allows school districts to obtain funds to acquire or construct buildings and equipment and spread the repayment of those funds over a period of years. It allows school districts to obtain buildings or equipment that might not be obtainable using existing resources. Problems can develop if a school district incurs too much debt without having a dedicated revenue source, such as tax levies, to service that debt. In that case, the unrestricted general fund must be used to make the annual debt service payments at the expense of current operations.

Any long-term debt that the district must pay from its unrestricted general fund is considered unfunded because it requires the use of resources typically dedicated to the current cost of education, such as teachers' salaries, administration and general operating supplies. Although most districts can fund some long-term debt from their general funds, they should exercise caution in using general fund revenues for debt service payments because this depletes the funds available for current operations.

FCMAT-noted that the Perris Union High School District incurred a significant amount of nonvoter approved debt to construct the comprehensive high school located in the territory of the Menifee Union Elementary School District. If the Menifee Union Elementary School District secedes from the Perris Union High School District either by itself, or through a multidistrict unification, the issue of debt must be considered. Although the existing general obligation bonds are backed by the full faith and credit of the school district's taxpayers, nonvoter approved debt is not. As a result, the amount of debt issued through Certificates of Participation and Qualified Zone Academy Bonds (QZAB) could ultimately become an obligation on the newly unified school district's general fund. The Perris Union High School District is currently using special taxes from its Mello-Roos Community Facilities Districts (CFDs) to service the debt on existing COPs. However if the revenue generated from the CFDs is insufficient to service this debt in its entirety, other sources, such as developer fees or the district's general fund, may be required to satisfy these obligations. The Perris Union High School District is using a sinking fund to service the QZAB debt. However, if the revenue generated from the sinking fund is insufficient to service this debt in its entirety, other sources, such as the general fund, may be required to satisfy these obligations.

From Perris High to Nuview

Description of Asset/Debt	Suggested Basis for Division	Total	Percent Applied	Estimated Division
Fund Balance Reserves:(6)				
General	ADA	\$ 10,801,735	4.69%	\$ 506,601
Adult Education	ADA(1)	\$ 37,943	4.69%	\$ 1,780
Deferred Maintenance	ADA	\$ 1,037,302	4.69%	\$ 48,649
Capital Facilities	Location of Fee(2)	\$ 12,992,148	n/a	n/a
Building	Project Location	\$ 27,985,836	n/a	n/a
School Facilities	Project Location(3)	\$ 29,101,666	n/a	n/a
Special Reserve - Capital Outlay	ADA	\$ 7,961,864	4.69%	\$ 373,411
G.O. Bonds Authorized/Unissued	Assessed Valuation	\$ -	n/a	n/a
Capital Projects Fund - CFD(7)	CFD Boundary	\$ 4,797,900	n/a	n/a
Associated Student Body	School Location/ADA	\$ 278,284	n/a	n/a
Bond Interest & Redemption	Assessed Valuation	\$ 2,488,845	7.30%	\$ 181,686
Debt Service	Assessed Valuation	\$ 667,909	7.30%	\$ 48,757
Total Assets				\$ 1,160,885
Long-Term Debt:(8)				
General Obligation Bonds	Location of Property(4)	\$ 53,829,440	0.00%	\$ -
Certificates of Participation	Location of Property(5)	\$ 28,780,782	0.00%	\$ -
Compensated Absences	FTE	\$ 404,029	4.69%	\$ 18,949
PARS Retirement	FTE	\$ 102,505	4.69%	\$ 4,807
Total Long-Term Debt				\$ 23,756

(calculations do not include distribution of district-wide property such as school facilities, furniture and equipment)

(1) Adult Education ADA was not available by feeder district

(2) Developer fee revenue was not available by location

(3) School Facilities is currently allocated \$26 million Heritage High, \$3 million projects to be determined

(4) Measure T debt of \$7,829,440 allocated 50% Perris, 50% Menifee

Measure Z debt of \$46,000,000 allocated 87% Romoland, 6.5% Perris, 6.5% Menifee

(estimate only as exact disposition of funds is unknown at this time)

(5) COP debt allocated 100% Menifee

(6) Fund Balance Reserves - Source 2005-06 Unaudited Actuals

(7) CFD - Projected annual fee collection was not available; \$7,132 of fund balance is held for formation of new CFD

(8) Long-Term Debt - Source 2005 Audit

From Perris High to Perris

Description of Asset/Debt	Suggested Basis for Division	Total	Percent Applied	Estimated Division
Fund Balance Reserves:(6)				
General	ADA	\$ 10,801,735	50.94%	\$ 5,502,404
Adult Education	ADA(1)	\$ 37,943	50.94%	\$ 19,328
Deferred Maintenance	ADA	\$ 1,037,302	50.94%	\$ 528,402
Capital Facilities	Location of Fee(2)	\$ 12,992,148	n/a	n/a
Building	Project Location	\$ 27,985,836	n/a	n/a
School Facilities	Project Location(3)	\$ 29,101,666	n/a	n/a
Special Reserve - Capital Outlay	ADA	\$ 7,961,864	50.94%	\$ 4,055,774
G.O. Bonds Authorized/Unissued	Assessed Valuation	\$ -	n/a	n/a
Capital Projects Fund - CFD(7)	CFD Boundary	\$ 4,797,900	n/a	\$ 694,969
Associated Student Body	School Location/ADA	\$ 278,284	n/a	\$ 83,573
Bond Interest & Redemption	Assessed Valuation	\$ 2,488,845	18.64%	\$ 463,921
Debt Service	Assessed Valuation	\$ 667,909	18.64%	\$ 124,498
Total Assets				\$ 11,472,868
Long-Term Debt:(8)				
General Obligation Bonds	Location of Property(4)	\$ 53,829,440	12.83%	\$ 6,906,317
Certificates of Participation	Location of Property(5)	\$ 28,780,782	0.00%	\$ -
Compensated Absences	FTE	\$ 404,029	50.94%	\$ 205,812
PARS Retirement	FTE	\$ 102,505	50.94%	\$ 52,216
Total Long-Term Debt				\$ 7,164,346

(calculations do not include distribution of district-wide property such as school facilities, furniture and equipment)

- (1) Adult Education ADA was not available by feeder district
- (2) Developer fee revenue was not available by location
- (3) School Facilities is currently allocated \$26 million Heritage High, \$3 million projects to be determined
- (4) Measure T debt of \$7,829,440 allocated 50% Perris, 50% Menifee
 Measure Z debt of \$46,000,000 allocated 87% Romoland, 6.5% Perris, 6.5% Menifee
 (estimate only as exact disposition of funds is unknown at this time)
- (5) COP debt allocated 100% Menifee
- (6) Fund Balance Reserves - Source 2005-06 Unaudited Actuals
- (7) CFD - Projected annual fee collection was not available; \$7,132 of fund balance is held for formation of new CFD
- (8) Long-Term Debt - Source 2005 Audit

From Perris High to Romoland

Description of Asset/Debt	Suggested Basis for Division	Total	Percent Applied	Estimated Division
Fund Balance Reserves:(6)				
General	ADA	\$ 10,801,735	9.40%	\$ 1,015,363
Adult Education	ADA(1)	\$ 37,943	9.40%	\$ 3,567
Deferred Maintenance	ADA	\$ 1,037,302	9.40%	\$ 97,506
Capital Facilities	Location of Fee(2)	\$ 12,992,148	n/a	n/a
Building	Project Location	\$ 27,985,836	n/a	n/a
School Facilities	Project Location(3)	\$ 29,101,666	n/a	n/a
Special Reserve - Capital Outlay	ADA	\$ 7,961,864	9.40%	\$ 748,415
G.O. Bonds Authorized/Unissued	Assessed Valuation	\$ -	n/a	n/a
Capital Projects Fund - CFD(7)	CFD Boundary	\$ 4,797,900	n/a	\$ 675,846
Associated Student Body	School Location/ADA	\$ 278,284	n/a	n/a
Bond Interest & Redemption	Assessed Valuation	\$ 2,488,845	14.09%	\$ 350,678
Debt Service	Assessed Valuation	\$ 667,909	14.09%	\$ 94,108
Total Assets				\$ 2,985,484
Long-Term Debt:(8)				
General Obligation Bonds	Location of Property(4)	\$ 53,829,440	74.34%	\$ 40,016,806
Certificates of Participation	Location of Property(5)	\$ 28,780,782	0.00%	\$ -
Compensated Absences	FTE	\$ 404,029	9.40%	\$ 37,979
PARS Retirement	FTE	\$ 102,505	9.40%	\$ 9,635
Total Long-Term Debt				\$ 40,064,420
(calculations do not include distribution of district-wide property such as school facilities, furniture and equipment)				

- (1) Adult Education ADA was not available by feeder district
- (2) Developer fee revenue was not available by location
- (3) School Facilities is currently allocated \$26 million Heritage High, \$3 million projects to be determined
- (4) Measure T debt of \$7,829,440 allocated 50% Perris, 50% Menifee
Measure Z debt of \$46,000,000 allocated 87% Romoland, 6.5% Perris, 6.5% Menifee
(estimate only as exact disposition of funds is unknown at this time)
- (5) COP debt allocated 100% Menifee
- (6) Fund Balance Reserves - Source 2005-06 Unaudited Actuals
- (7) CFD - Projected annual fee collection was not available; \$7,132 of fund balance is held for formation of new CFD
- (8) Long-Term Debt - Source 2005 Audit

From Perris High to Menifee

Description of Asset/Debt	Suggested Basis for Division	Total	Percent Applied	Estimated Division
Fund Balance Reserves:(6)				
General	ADA	\$ 10,801,735	34.97%	\$ 3,777,367
Adult Education	ADA(1)	\$ 37,943	34.97%	\$ 13,269
Deferred Maintenance	ADA	\$ 1,037,302	34.97%	\$ 362,745
Capital Facilities	Location of Fee(2)	\$ 12,992,148	n/a	n/a
Building	Project Location	\$ 27,985,836	n/a	n/a
School Facilities	Project Location(3)	\$ 29,101,666	n/a	n/a
Special Reserve - Capital Outlay	ADA	\$ 7,961,864	34.97%	\$ 2,784,264
G.O. Bonds Authorized/Unissued	Assessed Valuation	\$ -	n/a	n/a
Capital Projects Fund - CFD(7)	CFD Boundary	\$ 4,797,900	n/a	\$ 3,419,953
Associated Student Body	School Location/ADA	\$ 278,284	n/a	\$ 194,711
Bond Interest & Redemption	Assessed Valuation	\$ 2,488,845	59.97%	\$ 1,492,560
Debt Service	Assessed Valuation	\$ 667,909	59.97%	\$ 400,545
Total Assets				\$ 12,445,413
Long-Term Debt:(8)				
General Obligation Bonds	Location of Property(4)	\$ 53,829,440	12.83%	\$ 6,906,317
Certificates of Participation	Location of Property(5)	\$ 28,780,782	100.00%	\$ 28,780,782
Compensated Absences	FTE	\$ 404,029	34.97%	\$ 141,289
PARS Retirement	FTE	\$ 102,505	34.97%	\$ 35,846
Total Long-Term Debt				\$ 35,864,234

(calculations do not include distribution of district-wide property such as school facilities, furniture and equipment)

- (1) Adult Education ADA was not available by feeder district
- (2) Developer fee revenue was not available by location
- (3) School Facilities is currently allocated \$26 million Heritage High, \$3 million projects to be determined
- (4) Measure T debt of \$7,829,440 allocated 50% Perris, 50% Menifee
 Measure Z debt of \$46,000,000 allocated 87% Romoland, 6.5% Perris, 6.5% Menifee
 (estimate only as exact disposition of funds is unknown at this time)
- (5) COP debt allocated 100% Menifee
- (6) Fund Balance Reserves - Source 2005-06 Unaudited Actuals
- (7) CFD - Projected annual fee collection was not available; \$7,132 of fund balance is held for formation of new CFD
- (8) Long-Term Debt - Source 2005 Audit

Recommendation

If one or more districts proceed with unification, the districts should:

1. Agree on the method to be used in dividing assets and liabilities and provide as much detail as possible regarding the description of assets and liabilities and the method used to allocate them. This should help to ensure an equitable distribution of assets and liabilities and avoid binding arbitration pursuant to Education Code Section 35565. The templates included in this study may serve as a starting point for these discussions. The information presented in the templates is based on a “snapshot” in time as identified by data received from the school districts as of the dates listed.

Unification Implementation Issues

If the districts decide to proceed with unification, many logistical and legal issues will be addressed either by Education Code or through the districts' petition. However, there are additional issues that the districts should consider before the unification process begins.

Financial Hardship

Because the district's capital facilities needs exceed its local resources, the Perris Elementary School District has opted to pursue financial hardship funding through the State School Facilities Program. Financial hardship assistance is available for districts that cannot provide all or part of their funding share of a School Facility Program (SFP) project, provided they meet narrowly defined criteria.

To receive financial hardship funds, a district must have made all reasonable efforts to increase local funding and must demonstrate its inability to contribute all or a portion of the matching share requirement. If the district meets the financial hardship criteria, it is eligible for financial assistance for new construction or modernization projects. It may also be eligible for the following early apportionments:

- Design costs for new construction or modernization projects
- Site acquisition for new construction projects

A district seeking financial assistance must have approved financial hardship status before submitting an Application for Funding (Form SAB 50-04) for either a new construction or modernization grant. The district must verify that a reasonable effort was made to meet the district's matching share requirement, and the Office of Public School Construction (OPSC) must confirm that the district is unable to contribute the entire matching share. When this is accomplished, the OPSC will recommend approval as a financial hardship and will send the district a preapproval letter.

Qualifying for Financial Hardship Assistance - To apply for financial hardship, the district must send a letter to the OPSC Financial Hardship Audit Unit stating why it is requesting financial hardship. The district must submit documentation that it levies the maximum developer fee allowed, and must demonstrate local effort to raise revenues as evidenced by at least one of the following:

- Debt level at 60 percent of bonding capacity
- Total district bonding capacity less than \$5 million
- A successful registered voter bond election for at least the maximum allowed under Proposition 39 within the previous two years

Other evidence that demonstrates that all reasonable local efforts have been made as approved by the State Allocation Board (SAB), such as financial inability to contribute the match and/or evidence that facility funds are not available:

- Financial Hardship Project Worksheet
- Latest independent audit reports
- Encumbrances

- Expenditure reports
- Listing of the district's unused sites
- Forms SAB 50-01 and SAB 50-02 for interim housing allowance calculation for new construction projects

If the financial hardship package is incomplete, a letter will be sent to the district requesting the necessary documentation. If the requested information is not submitted in a timely manner, the request will be returned unprocessed. The district may refile the request whenever the missing documents become available.

Evidence of Reasonable Effort to Fund Matching Share - As previously mentioned, the law requires that a district seeking financial hardship assistance must demonstrate that all reasonable efforts have been made to raise local revenues for the SFP match. The SAB has adopted regulations that establish criteria for meeting this requirement. The district must be levying developer fees at the maximum rate justified by law and must verify it meets at least one of the following:

Bonding Capacity and Indebtedness Threshold - At time of financial hardship request, the current outstanding indebtedness of the district is at least 60% of the district's total bonding capacity. A district with a total bonding capacity of less than \$5 million meets this requirement regardless of indebtedness level. Outstanding indebtedness includes general obligation bonds, Mello-Roos bonds, School Facility Improvement District bonds and Certificates of Participation (COPs) issued for capital outlay school facility purposes and on which the district is paying a debt service. A certification from the county auditor-controller is required stating the district's assessed valuation, outstanding indebtedness and remaining bonding capacity.

The bonding capacity of both high school and elementary districts are limited to 1.25 percent of the taxable property in the district. However, Education Code Section 15106 states that, "Any unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located." Therefore, the successful unification of Perris Union High School District with any of its feeder elementary districts will result in a higher bonding capacity for the unified districts. For most of the districts involved, this should be considered a positive attribute of unification. However, for the Perris Elementary District, this may be problematic.

Since the Perris Elementary District has qualified for financial hardship in part based on a bonded indebtedness of more than 60% of its bonding capacity, any change to the district through reorganization would require the successor district to file a new application to determine both eligibility and financial hardship status under the State School Facilities Program.

State School Facilities Program

Education Code Section 17071.10 specifies that a district affected by reorganization election on or after November 4, 1998, may not file an application for new construction funding after the notification of the reorganization election. This requirement is in effect until a new calculation of the district's baseline eligibility has been determined on Form SAB 50-03 or until the district certifies that the reorganization election will not result in a loss of eligibility for the project for which the district is requesting new construction grants.

A district that is newly created as a result of reorganization may file an application for funding after approval of the election has been made by the State Board of Education.

Adequate Facilities

With the exception of the Nuvew Union Elementary School District, each of the Perris Union High School District's four feeder elementary districts has or will have a comprehensive high school constructed in its territory. This is significant in light of Education Code Section 35735.2, which states that if there are no suitable facilities for all students in a newly organized district, its base revenue limit initially will only be blended and not adjusted for the differential in salary and benefits. However, as the new district obtains suitable facilities, the revenue limit is increased for the salary and benefit adjustments. The new district's independent auditor must perform an audit of the data needed for the original revenue limit calculation and the allowable adjustments (e.g. COLA) as the district is capable of housing all of its students.

If the district is still unable to provide suitable school facilities five years after the effective date of the reorganization, the California Department of Education shall annually report to the State Board of Education as to whether the district should be lapsed. If the California Department of Education recommends lapsation, and the State Board of Education concurs, the board may direct the County Committee on School District Organization to revert the reorganized district to its former status or have it annexed to one or more of its adjoining districts.

The Menifee, Nuvew and Romoland districts would also need to consider housing options for programs such as continuation, community day school and adult education as the current facilities for these programs are located within the Perris boundaries.

Medicare and Single-Employer Status

Another issue is whether the school district reorganization constitutes a shift to a new employer, making the wages subject to the Medicare provisions of the Federal Insurance Contributions Act (FICA) tax, which is 1.45 percent per \$100 of payroll for both employee and employer. While it is true that after reorganization some or all of the employees of the school district will have a new employer, it is also true that the Education Code protects the employees with respect to their classification and status.

In a private letter ruling to the Eureka City Elementary and High school districts, the Internal Revenue Service (IRS) concluded that the consolidation of the two districts did not violate the continuing employment exemption for public employees hired prior to April 1, 1986. This exemption allowed the wages of a pre-1986 employee to be paid free of the Medicare portion of FICA tax so long as the employee remains in continuous em-

ployment with the public agency. In making its decision, the IRS cited the case of Board of Education of Muhlenberg County v. U.S. (ref. 920 F.2d 370, 91-1 USTC 50, 125, 6th Cir. 1990). In that case, the court decided that the consolidation of school districts “is not a new employer for purposes of the continuing employment exception.” The court found that the legislative intent of exempting pre-1986 employees was to avoid a sudden increase in Medicare taxes to the employer. The court noted that a consolidation of districts would create “the same sudden financial burden ... and ... deter consolidation of local government entities for purposes of enhancing efficiency.”

Protection of Classified Employees

Another issue that arises during the reorganization process is the permanency of classified employees. Education Code Section 45121 states the following:

Persons employed in positions not requiring certification qualifications in districts, all or part of whose territory is included in a unification of districts, shall continue as employees of the unified school district for not less than two years, and shall not, by reason of any unification, be deprived of any benefit which they would have had the unification not taken place. In determining the rights of such employees, their salaries, accumulated leaves, and other rights shall be determined as of the date the unification election was conducted. No increase in benefits not previously conferred, granted by the governing board of any district, all or part of whose territory is included in a unification of districts, after such unification election, shall be binding on the governing board of the unified district, except that benefits granted in the districts comprising the new unified district which does not become effective until the second succeeding first day of July shall be binding on the governing board of the unified district. Nothing herein contained shall preclude the governing board of the unified school district from making any reasonable reassignment of the duties of such employees. The governing board of the unified district shall establish a system of uniform salaries, employee benefits and working conditions for employees performing like services in conformity with the provisions of this section.

The Governing Board of the new unified district retains the right to negotiate salary and benefit costs to a higher or lower level, with the exception of classified staff, which has a two-year right to continued employment at the rate of pay and benefit levels that were in effect at the time of unification.

Other Considerations

While considering the merits of unification, the districts should bear in mind that some districtwide high school programs, such as adult schools and regional occupational programs, may be lost or downsized for the students of a smaller unified district.

The elementary districts should be aware and review the possibility of revenue changes in sources such as Gifted and Talented Education (GATE) and Economic Impact Aid (EIA), which provide a minimum level of funding for smaller school districts.

Each elementary district should compare its estimated unified revenue limit to the statewide average for unified districts to determine how it may be affected. For instance,

the estimated new revenue limits for Menifee, Perris and Romoland are higher than the 2005-06 statewide average for unified districts. This indicates that future COLA increases would be less, on a percentage basis, than the statewide average in future years. Future equalization dollars would also be lost, given current legal parameters, if the newly unified districts have revenue limits in excess of the 90th percentile statewide. Each of the five school districts included in this study are currently projected to receive equalization aid in the 2006-07 fiscal year.

Recommendations

If one or more districts proceed with unification, the districts should:

1. Request a private ruling from the Internal Revenue Service regarding new employer status for Medicare taxes for the newly created districts.
2. Investigate whether the increased bonding capacity of a Perris Unified School District with boundaries coterminous with the Perris Elementary School District would jeopardize the district's financial hardship status under the State School Facilities Program.

Inspection of Paloma Valley High School

Introduction

An inspection was conducted of Paloma Valley High School on September 18 and 19, 2006. The purpose of the inspection was to determine the overall state of repair and/or need of upgrade. This assessment included a physical inspection of the school site, review of documentation related to construction and maintenance and input from Perris Union High School District staff.

Background

Paloma Valley High School was constructed between the periods 1995 to 2006. The school was constructed in the following three phases:

Phase one was completed in 1995, at a cost of \$26 million. Original construction included: Unit A (administrative offices, counseling center, media center, discipline room, faculty lounge restrooms and rooms 129, 133 and 143); Unit B (rooms 119, 125, 127, 130, 134, 138 and the theater); Unit C (rooms 105, 106, 107, 114, 115 and 116); Unit D (rooms 102, 104, 105, 106, 107, 108, 111, 114, 115, 117, 119 and 120); Unit E (102, 103, 104, 105, 109, 110, 115 and 116); Unit F (gym, PE, restrooms); Unit I (men's and women's locker rooms, weight room and dance room); Unit K (food services) and Unit L (rooms 101 through 114).

Phase two construction was completed in 2001 at a cost of \$25 million. Phase two construction included: Unit B (rooms 201 through 207 and the library); Unit C (rooms 102, 103, 104, 111, 112 and 113); Unit F (gym addition); Unit G (rooms 101 through 106); Unit H & I (men's and women's locker, weight and dance rooms); Unit L (rooms 115 through 121 and an on-campus detention room); Unit R (rooms 103 through 117, 126 and 132, restrooms and ASB); Unit S (rooms 101 through 106, 112 through 116 and a satellite cafeteria); Unit U (rooms 101 through 109).

Phase three construction was completed in 2006 at a cost of \$12.2 million. This construction included: Unit J (a two story relocatable building housing rooms 101 through 106 and 201 through 206, a wrestling room and new all-weather track, synthetic grass football field, eight tennis courts, one softball field and two soccer fields).

At the time of the inspection, the physical plant on Paloma Valley High School included the following:

Unit A - (administrative offices, media center, counseling rooms, discipline room, career center, detention classroom, faculty lounge, restrooms and rooms 129, 133, and 143)

Unit B - (theater, library, and 11 classrooms for music, drama, choir and life sciences)

Unit C - (12 classrooms designed for science, chemistry and biology)

Unit D - (12 classrooms)

Unit E - (8 classrooms)

Unit F - (gym, physical education, restrooms)

Unit G - (6 relocatable classrooms)

Unit H - (men's locker and weight room)

Unit I - (women's locker and dance room)

Unit J - (two story relocatable building housing 20 classrooms)

Unit K - (food service, cafeteria)

Unit L - (21 relocatable classrooms and one campus detention room)

Unit R - (12 classrooms, student restrooms and ASB)

Unit S - (11 classrooms and a satellite kitchen)

Unit U - (8 classrooms)

In addition to the previous information, there are five leased relocatable classrooms (rooms 107 through 111) on the northwest side of Paloma Valley High School. These facilities are reportedly scheduled for removal from campus in 2007.

Paloma Valley High school is essentially a newer school. Inspection of the facility indicated that the buildings and landscape have been well maintained. However, the original construction is showing signs of wear and tear as a result of high student use. Original construction, which is now 11 years old, needs interior and exterior painting, and the carpet should be replaced. The perimeter wrought iron fence and railings adjacent to the main buildings need to be repainted. The student male restrooms need to be upgraded. In these restrooms, the privacy partitions need to be replaced, the graffiti removed and the soap dispensers that have been torn off the wall replaced. The mirrors should be replaced or removed. The female student restrooms are in satisfactory condition.

The infrastructure of the school, i.e., electrical power, HVAC, potable drinking water, sewer, gas, fire and life safety as well as security and accessibility, are all adequate. With the installation of a new all-weather track and synthetic grass football field as well as eight new tennis courts, a soccer and two softball fields, the play areas and landscaping throughout the site are excellent to outstanding.

Of concern are units G and L. Both facilities are relocatable buildings. Unit G, consisting of six classrooms, was installed in 2001. Unit L consists of 22 classrooms, 14 installed in 1996 and eight in 2001. Although these buildings are relatively new, they are quickly wearing out. In the next five years, these relocatable buildings will need interior and exterior painting and the windows, doors, carpet and the lights will need to be replaced. Of note is the fact that the carpet in nine rooms in Unit L was replaced in 2005. The roof and HVAC systems are satisfactory.

Unit K, the food services building, has several maintenance items that require attention. These include “Summit” convection ovens that are out of order, a nonfunctional fly fan and exposed wires from a clock that was removed. In addition, the staff reported heavy gas fumes in the kitchen.

Miscellaneous items that require attention on campus include the west corner portions of the faculty parking lot, where a vehicle has damaged the perimeter fence. All the asphalt is due for a seal coat and striping. Signage throughout the school has been vandalized or is beyond useful life and needs to be replaced.

Paloma Valley High School’s overall state of repair is rated satisfactory to excellent depending upon the unit in question. All the previously identified items qualify for the district’s Deferred Maintenance Program. The estimated cost of all maintenance is \$917,500.

In summary, Paloma Valley High School is a relatively new facility that has shown signs of normal wear and tear and consequently needs relatively minor work including cleaning, painting, new carpet, signage, asphalt and seal coat and replacement as needed of some building components in the relocatable buildings.

Recommendations

The district that is assigned ownership of the Paloma Valley High School should:

1. Repaint the interior and exterior of the site.
2. Repaint the perimeter wrought iron fence and building handrails.
3. Replace carpet throughout campus buildings as needed.
4. Seal coat and stripe asphalt parking lots campuswide.
5. Replace vandalized/worn signage as necessary.

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Inspection of Paloma Valley High School

6. Change doors, windows and lights in units G and L as necessary.
7. Repair/replace perimeter fence in the faculty west parking lot.
8. Repair the convection oven and fly fan, and investigate the cause of the reported gas fumes in the cafeteria facility (Unit K). Secure and cover the exposed wires on the southwest wall.
9. Replace the privacy partitions and soap dispensers and remove graffiti in the student male restroom.

Option I

This option includes the simultaneous unification of the Nuvview Union Elementary, Perris Elementary District, Romoland Elementary School District and the Menifee Union Elementary School District with the inclusion of the Perris Union High School District along each elementary district's boundaries to form four separate single unified school districts pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Governing Board.

Recommendations

The districts should:

1. Take into consideration FCMAT's opinion that, *based on the fiscal impact only*, it is *not recommended* that the districts proceed with the Nuvview Unification Proposal at this time. This recommendation takes into consideration the minimal amount of "level up" dollars that would be received as well as the current lack of facilities for high school students.
2. Take into consideration FCMAT's opinion that, *based on the fiscal impact only*, *it may be feasible* for the districts to consider proceeding with the Perris Unification Proposal. However, the districts should first investigate whether the increased bonding capacity of a Perris Unified School District would jeopardize the Perris Elementary District's financial hardship status under the State School Facilities Program before proceeding with unification. The district should also complete an analysis of its current salary schedule placement for all affected employees to determine if the funds provided through the "level up" calculation are sufficient to move all employees to a common salary and benefit schedule.
3. Take into consideration FCMAT's opinion that, *based on the fiscal impact only*, it is *not recommended* that the districts proceed with the Romoland Unification Proposal at this time. This recommendation takes into account the amount of general obligation bond debt that would be transferred from Perris Union High for the new Heritage High School. In addition the proposed Romoland Unified District would likely not glean enough dollars through the unification process to fund the operational costs for a large high school given that there are only 699 high school students in the Romoland attendance area at this time.

4. Take into consideration FCMAT's opinion that, *based on the fiscal impact only, it may be feasible* for the districts to consider proceeding with the Menifee Unification Proposal. This recommendation assumes that the annual proceeds from the community facilities districts are sufficient to service the annual debt payments on the Certificates of Participation. The COP debt schedules are attached in the appendix section of this report, and staff of the Perris Union High School District is preparing documentation regarding the projected annual collections for the CFDs. However, based on the October, 2004 study completed by School Services of California, it is recommended that the districts complete a thorough analysis of the unification proposal as it relates to Education Code Section 35753(a)(4) regarding racial or ethnic segregation before proceeding with unification. The district should also complete an analysis of their current salary schedule placement for all affected employees to determine if the funds provided through the "level up" calculation are sufficient to move all employees to a common salary and benefit schedule.

5. Consider the effects of unification on the Perris Union High School District. It does not appear to be feasible for all the districts to unify simultaneously at this time, but if some of the districts choose to proceed with unification, discussion should take place among all the districts to determine the ramifications to the high school district.

Option 2

Include the Menifee Union Elementary School District and a portion or modification of Perris Union High School District boundaries or more specifically the Paloma Valley High School as a single unified school district pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Governing Board.

Menifee would benefit from a greater bonding capacity and possibly increased eligibility under the State School Facilities Program and would also capture the full amount of developer fees in the newly unified territory. However, the district should contact the California Department of Education and the Office of Public School Construction to discuss the estimated eligibility and funding levels for facilities before a proposal to unify moves forward.

Recommendations

The district should:

1. Take into consideration FCMAT's opinion that, *based on the fiscal impact only, it may be feasible* for the districts to consider proceeding with the Menifee Unification Proposal. This recommendation assumes that the annual proceeds from the community facilities districts are sufficient to service the annual debt payments on the Certificates of Participation. The COP debt schedules are attached in the appendix section of this report, and staff of the Perris Union High School District is preparing documentation regarding the projected annual collections for the CFDs. However, based on the October, 2004 study completed by School Services of California, it is recommended that the districts complete a thorough analysis of the unification proposal as it relates to Education Code Section 35753(a)(4) regarding racial or ethnic segregation before proceeding with unification. The district should also complete an analysis of its current salary schedule placement for all affected employees to determine if the funds provided through the "level up" calculation are sufficient to move all employees to a common salary and benefit schedule.
2. Consider the effects of a Menifee unification on the Perris Union High School District. These effects include the estimated losses of 2,602 ADA, 83 classified full-time equivalent employees, 148 certificated full-time equivalent employees, fund balances of approximately \$12.4 million as reflected on the asset and debt schedule as well as the Paloma Valley High School facility. The Perris Union High School District would also relinquish long-term debt of approximately \$35.8 million as reflected on the asset and debt schedule.
3. Contact the California Department of Education and the Office of Public School Construction regarding estimated facility eligibility before proceeding with a unification proposal.

Appendices

A. Certificates of Participation Payment Schedule

B. 2005-06 Assessed Valuation

C. Study Agreement

Perris Union High School District

Outstanding Certificates of Participation and Estimated Annual Payments as of October 1, 2006 (Source: UBS Investment Bank)

2003 Variable Rate COPs				2000 Fixed Rate COPs				Annual Grand Total
Principal Due	Principal	Variable Rate COPs Interest @ 4.00%	Total Annual Payments	Principal Due	Principal	Interest	Total Annual Payments	
9/1/2007	\$ 695,000.00	\$ 839,800.00	\$ 1,534,800.00	10/1/2007	\$160,000.00	\$489,600.00	\$649,600.00	\$ 2,184,400.00
9/1/2008	590,000.00	812,000.00	1,402,000.00	10/1/2008	170,000.00	480,000.00	650,000.00	2,052,000.00
9/1/2009	605,000.00	788,400.00	1,393,400.00	10/1/2009	180,000.00	469,800.00	649,800.00	2,043,200.00
9/1/2010	630,000.00	764,200.00	1,394,200.00	10/1/2010	190,000.00	459,000.00	649,000.00	2,043,200.00
9/1/2011	645,000.00	739,000.00	1,384,000.00	10/1/2011	205,000.00	447,600.00	652,600.00	2,036,600.00
9/1/2012	670,000.00	713,200.00	1,383,200.00	10/1/2012	215,000.00	435,300.00	650,300.00	2,033,500.00
9/1/2013	600,000.00	686,400.00	1,286,400.00	10/1/2013	230,000.00	422,400.00	652,400.00	1,938,800.00
9/1/2014	615,000.00	662,400.00	1,277,400.00	10/1/2014	240,000.00	408,600.00	648,600.00	1,926,000.00
9/1/2015	635,000.00	637,800.00	1,272,800.00	10/1/2015	255,000.00	394,200.00	649,200.00	1,922,000.00
9/1/2016	655,000.00	612,400.00	1,267,400.00	10/1/2016	270,000.00	378,900.00	648,900.00	1,916,300.00
9/1/2017	675,000.00	586,200.00	1,261,200.00	10/1/2017	285,000.00	362,700.00	647,700.00	1,908,900.00
9/1/2018	695,000.00	559,200.00	1,254,200.00	10/1/2018	305,000.00	345,600.00	650,600.00	1,904,800.00
9/1/2019	715,000.00	531,400.00	1,246,400.00	10/1/2019	325,000.00	327,300.00	652,300.00	1,898,700.00
9/1/2020	735,000.00	502,800.00	1,237,800.00	10/1/2020	340,000.00	307,800.00	647,800.00	1,885,600.00
9/1/2021	755,000.00	473,400.00	1,228,400.00	10/1/2021	365,000.00	287,400.00	652,400.00	1,880,800.00
9/1/2022	780,000.00	443,200.00	1,223,200.00	10/1/2022	385,000.00	265,500.00	650,500.00	1,873,700.00
9/1/2023	805,000.00	412,000.00	1,217,000.00	10/1/2023	410,000.00	242,400.00	652,400.00	1,869,400.00
9/1/2024	830,000.00	379,800.00	1,209,800.00	10/1/2024	430,000.00	217,800.00	647,800.00	1,857,600.00
9/1/2025	850,000.00	346,600.00	1,196,600.00	10/1/2025	460,000.00	192,000.00	652,000.00	1,848,600.00
9/1/2026	880,000.00	312,600.00	1,192,600.00	10/1/2026	485,000.00	164,400.00	649,400.00	1,842,000.00
9/1/2027	905,000.00	277,400.00	1,182,400.00	10/1/2027	515,000.00	135,300.00	650,300.00	1,832,700.00
9/1/2028	930,000.00	241,200.00	1,171,200.00	10/1/2028	545,000.00	104,400.00	649,400.00	1,820,600.00
9/1/2029	960,000.00	204,000.00	1,164,000.00	10/1/2029	580,000.00	71,700.00	651,700.00	1,815,700.00
9/1/2030	990,000.00	165,600.00	1,155,600.00	10/1/2030	615,000.00	36,900.00	651,900.00	1,807,500.00
9/1/2031	1,020,000.00	126,000.00	1,146,000.00					1,146,000.00
9/1/2032	1,050,000.00	85,200.00	1,135,200.00					1,135,200.00
9/1/2033	1,080,000.00	43,200.00	1,123,200.00					1,123,200.00
	<u>\$20,995,000.00</u>	<u>\$ 12,945,400.00</u>	<u>\$ 33,940,400.00</u>		<u>\$ 8,160,000.00</u>	<u>\$ 7,446,600.00</u>	<u>\$ 15,606,600.00</u>	<u>\$ 49,547,000.00</u>

2005-06 Assessed Valuation

PERRIS SCHOOL DISTRICT

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
\$1,509,797,841	\$436,124	\$55,471,769	\$1,565,705,734

PERRIS UNION HIGH SCHOOL DISTRICT

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
\$8,243,542,907	\$1,160,065	\$156,426,241	\$8,401,129,213

NUVIEW SCHOOL DISTRICT

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
\$607,524,234	\$39,703	\$5,561,508	\$613,125,445

ROMOLAND SCHOOL DISTRICT

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
\$1,146,201,236	\$586,607	\$37,233,303	\$1,184,021,146

MENIFEE SCHOOL DISTRICT

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
\$4,980,019,596	\$97,631	\$58,159,661	\$5,038,276,888

Source: California Municipal Statistics

MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
May 30, 2006

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Nuvview Union Elementary School District, hereinafter referred to as the District, mutually agree as follows:

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Nuvview Union Elementary School District operations and participating districts to be included in the study are identified as Perris Union High School District, Perris Elementary District, Romoland School District and Menifee Union School District. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The scope and objectives of this study are to review the fiscal impact of unification in accordance with the following:

1. Conduct a review of the **fiscal impact only** of the proposed reorganization of the districts referenced above for the following two options: (*The study does not include the evaluation of the state's nine criteria pursuant to Education Code 35753 for either option. This component has been provided in a previous study*) The computation of the base revenue limit for the newly organized school districts will be based on the current information available for each affected school district for the second principal apportionment of the 2005-06 fiscal year and will be used for budgetary estimates of ADA, full-time equivalent employees (FTEs), salaries and benefits. None of the school districts is or will in the foreseeable future become a "basic aid" school district.

Methodology

FCMAT will obtain the 2nd Interim data from reports filed by the districts, and payroll listings of certificated and classified FTEs, salaries and benefits provided by the districts. As described in the following, the computation will be made in accordance with Education Code Section 35735.1.

Computing the Unified District's Revenue Limit

The proposed revenue limit for the new unified district is computed through two steps: (1) a blending of the former elementary and high school district

revenue limit amounts per ADA; and, (2) an adjustment made as a revenue limit add-on for the difference between the average salary and benefit costs between the affected districts.

The adjustment for the difference in average salaries and benefits is the only “new money” that results from unification. The first part of the calculation is revenue neutral – a mere blending of the two different revenue limit amounts based on proportional elementary and high school ADA. The second part adds funding per ADA in recognition that a common salary schedule must be adopted at the time of unification with each bargaining unit. Even if common salary schedules are in use at the time of unification, the law allows for an adjustment to be made. The new governing board of the unified district retains the right to negotiate all salary costs up or down, with the exception of classified staff that have a two year right to continued employment at their pay at the time of unification, subject to mutual negotiation.

Option 1:

Includes the simultaneous unifications of the Nuvview Union Elementary, Perris Elementary District, Romoland School District and the Menifee Union School District with the inclusion of the Perris Union High School District along each elementary district’s boundaries to form four separate single unified school districts pursuant to Education Code Sections 35735-35735.2, and provide recommendations and procedures to complete the process, if approved by the Board of Trustees.

Option 2:

Include the Menifee Union School District and a portion or modification of Perris High School District boundaries or more specifically the Paloma High School as a single unified school district pursuant to Education Code Sections 3573-35735.2, and provide recommendations and procedures to complete the process, if approved by the Board of Trustees.

2. Review for both options the districts division of real property holdings, redevelopment entitlements, and other obligations pursuant to Education Code Section 35736.

Fiscal Impact of the Unification of Menifee:

A. Detailed analysis of Perris Union High School District’s (PUHSD) debt:

1. Original COPS for Paloma High School.
2. Refinanced COPS and the portion attributable to Menifee should unification occur.
3. The portion of the G.O. bonds which Menifee would be obligated to pay upon unification.
4. The portion of Community Facilities District bonds which Menifee would be obligated to pay upon unification.

5. Other debt which Menifee would be obligated to pay upon unification.
6. Terms of existing contracts with personnel of PUHSD who would become employees of Menifee Union School District (MUSD) upon unification.

B. Detailed analysis of PUHSD's revenues:

1. Available to MUSD to pay the COPS or refinanced COPS upon unification.
2. Assessments available to pay G.O. or CFD bonds.
3. Other revenues/assets to pay employee contracts or other obligations of PUHSD upon unification.

C. Detailed analysis of assets other than Paloma High School which would likely accrue to Menifee Union School District upon unification.

D. An inspection of Paloma High School to determine its overall state of repair and/or need upgrade or expansion.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, Interim Deputy Executive

Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Eric Smith, FCMAT Consultant
- B. Christy A White, CPA, FCMAT Consultant
- C. Diane Branham, FCMAT Fiscal Intervention Specialist

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$400.00 per day for each Team Member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. \$400 per day for off site work of FCMAT Consultant Team Members for document review, analysis, data gathering, and report writing and review. Charges for architects, CPAs, attorneys, and other professional full-time consultants are charged out at the rates charged to FCMAT. Use of such consultants, for FCMAT studies other than fiscal crisis or emergency, is approved in advance by the LEA.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the elements listed in item 2 A, total estimated cost of the review is \$18,000. Changes to the scope of work will result in a revised estimate of costs. The District will be invoiced at actual costs of the study team for items 4A and 4B.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
 - 1) A map of the local area
 - 2) Existing policies, regulations and prior reports addressing the study request
 - 3) Current organizational charts
 - 4) Current and two (2) prior years' audit reports
 - 5) Any documents requested on a supplemental listing
- C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with District pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

Orientation:	August 14, 2006
Staff Interviews:	August 14-16, 2006
Exit Interviews:	August 16, 2006
Exit Letter:	To be determined
Preliminary Report Submitted:	To be determined
Final Report Submitted:	To be determined
Board Presentation:	To be determined

(All proposed dates are tentative at this time and are subject to change by the District or FCMAT Team)

7. CONTACT PERSON

Please print name of contact person: _____
Jay Hoffman, Superintendent

Telephone 951-928-0066 FAX

Internet Address jhoffman@nuview.k12.ca.us

Jay Hoffman, Superintendent Date
Nuview Union Elementary School District

Barbara Dean, Deputy Administrative Officer Date
Fiscal Crisis and Management Assistance Team

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.