



**Feasibility Study
for the Proposed Territory Transfer
from North Monterey County Unified School District
to Lagunita Elementary School District
and Salinas Union High School District**

December 4, 2019

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Executive Summary

The requested territory transfer of thirteen (13) parcels within the Hidden Canyon Ranch development from North Monterey County Unified School District (NMCUSD) to Lagunita Elementary School District (LESD), under Education Code Section 35700, appears to meet all State's criteria for school district reorganization, as contained in Education Code Section 35753. The petition would also transfer the territory for grades 9-12 from NMCUSD to Salinas Union High School District (SUHSD). While the petition does not name SUHSD, by operation of law, the residents in the development would be within SUHSD boundaries should the petition be approved.

Favoring the petition to meet the State's criteria are the following facts and observations:

- The proposed territory transfer area is quite small in comparison to NMCUSD in terms of geography (13 parcels), assessed valuation (.25%, a quarter of 1%), and school-aged children (4-6 pupils, all currently in private school). There are also no district-owned properties or facilities in the territory.
- Community identity is stronger with the petitioners to Lagunita School, the nearby community of Santa Rita (within SUHSD), and to the City of Salinas compared to NMCUSD schools and the corresponding Prunedale and Castroville community centers. One of the lead petitioners attended Lagunita School. The lead petitioners expressed strong community identity through their past and present participation in activities with the Lagunita school, shopping and dining in Santa Rita and Salinas, and through their religious affiliations in Santa Rita.
- The territory parcels are geographically cut off from Prunedale Elementary School (PES), their NMCUSD school of attendance. PES would be 3.3 miles from the back of the Hidden Canyon Ranch development if there were access to Pesante Road. Access to Pesante Rd. is blocked because Pesante Rd. is a dead-end road. Two back gates lead from the community to Pesante Rd. and Tarawild Ct. but are kept locked, reportedly for building permit compliance. (Note: for safety the fire department has lockboxes on the gates.)

As a result of the geographical cut-off, instead of traveling to PES down Pesante Rd., the residents would need to drive 3 miles to the Hwy. 101 and then 4.2 miles south to the school, a total of 7.5 miles. We noted that Hwy. 101 is congested with commuters in the morning and is notoriously dangerous, albeit reportedly safer with the recent addition of overpasses. By contrast, LESD is 1.6 miles away on backroads, taking a right turn out of the development, down Crazy Horse Canyon Rd. to San Juan Grade and LESD.

- It doesn't appear that the territory transfer would precipitate other transfer petitions in the immediate area due to the development's geographic remoteness in a hilly rural area with large minimum lot sizes. Also unique to the petition is the school district boundary line that bifurcates the Hidden Canyon Ranch development.

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Executive Summary, Cont'd

- The walking safety hazard to an NMCUSD bus stop is a significant issue. Christy White, Inc. (CW) drove the area, and the children would have to walk along the windy, Crazy Horse Canyon Rd. without pedestrian walkways or paths. The first bus stop is about 2 miles away. However, NMCUSD stated that a possible bus stop could be added at the development entrance in the future if there were students to transport.
- There would be virtually no increase in property taxes to NMCUSD residents. As computed, taxes assessed for the repayment of general obligation bonds would only increase an estimated 16 cents per \$100,000 in assessed valuation (e.g., less than \$1 for a \$500,000 valued home per year).
- The territory transfer would not necessitate the lay-off of employees, the reduction of salaries or benefits, or the dismantling of any educational program.
- Interdistrict agreements are not an optimal solution over boundary changes, assuming the petition meets the State's criteria. The petition opponents have offered interdistrict agreements as a solution to territory transfer. But, interdistrict agreements are not permanent and are subject to denial by future governing boards. Interdistrict agreements disenfranchise (i.e., deprive of the right to vote) parents from voting in school board elections, in this case voting in LESD and SUHSD.

The compelling reason the petitioners put forth for the territory transfer is, "To allow a new development split by the current boundary line to have a cohesive community identity." After conducting our work, we would add that the petition approval would also: provide safer and shorter transportation routes to schools; and allow LESD board governance opportunities and school input to the entire Hidden Canyon Ranch development.

The NMCUSD is opposed to the petition, primarily based on the loss (transfer) of property tax assessed valuation (AV), the loss of developer fee income from the five vacant parcels yet to be developed, and fiscal concerns should pupils (they estimate 9 per year) not attend NMCUSD for the next 30 years. We found these claims were either not fiscally significant (in the case of AV and developer fee loss) or too speculative (in the case of state funding loss). Plus, no consideration of the cost savings was given for not serving these theoretical pupils, only a projected loss of state revenues. We assert there would be no quantifiable and verifiable loss of funding as a result of the transfer. This report analyzes the fiscal impact under Criterion #9.

Of possible further interest to the County Committee is the question of whether this petition is consistent with any Master Plan on school district organization in Monterey County. CW's understanding is that no such plan is either required or exists. As such, "local education needs and concerns" would serve as the basis for reorganization decisions. Under current law, EC Section 35500 states:

It is the intent of the Legislature to utilize the organization of districts as they existed on January 1, 1981, and local educational needs and concerns shall serve as the basis for future reorganization of districts in each county.

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Background

Monterey County Office of Education, on behalf of the Monterey County Committee on School District Organization, has contracted with Christy White, Inc. (CW), a certified public accounting and school district consulting firm, to conduct a feasibility study of transferring thirteen (13) Hidden Canyon Ranch parcels from the North Monterey County Unified School District (NMCUSD) to the Lagunita Elementary School District (LESD), and then correspondingly, to Salinas Union High School District (SUHSD)*.

The thirteen (13) parcels are part of the Hidden Canyon Ranch development, which includes a total of 26 parcels and is bifurcated by the school district boundary line. As such, half of the parcels are within NMUSD, and half of the parcels are within the LESD/SUHSD district.

The 13 parcels in the petition are as listed:

Parcels Within the Petition Area

Parcel Number	Address
125571016000	8428 Hidden Ridge Rd (address is 20175 Tarawild Ct., per County Assessor's office)
125571023000	8420 Hidden Ridge Rd
125571024000	8424 Hidden Ridge Rd
125621014000	8948 Hidden Canyon Rd
125621015000	8944 Hidden Canyon Rd
125621016000	8940 Hidden Canyon Rd
125621018000	8571 Donny's Ridge Rd.
125621019000	8650 Carolines Ridge Rd.
125621020000	8654 Carolines Ridge Rd.
125621021000	8659 Carolines Ridge Rd.
125621022000	8663 Carolines Ridge Rd.
125621025000	8567 Donny's Ridge Rd.
125291049000	parcel #125291049000 (address 560 Crazy Horse Cyn, per County Assessor's Office)

Lagunita Elementary School District (LESD) is a K-8 school district of about 100 pupils that sends grades 9-12 pupils to Salinas Union High School District (SUHSD). NMCUSD is a 4,600 pupil grades K-12 district. SUHSD recently opened a new 5th high school, Rancho San Juan High School, that is 5 miles from the petition territory in the neighboring community of Santa Rita. Parents and students do not need to drive on Highways 101 or 156 to the LESD and SUHSD schools; there are accessible backroad routes. By contrast, Prunedale Elementary is 7.5 miles away off Highway 101, and North Monterey County High School is 11 miles away via CA-156W.

**Footnote: Education Code (EC) Section 35541 requires that the boundary of a high school district change when the boundary of any of its component districts change, therefore, any change to Lagunita, by operation of law, results in a corresponding shift in the high school district.*

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Background, Cont'd

LESD staff reported that new residents of the Hidden Canyon Ranch development often assume they are in LESD upon purchasing the property. The LESD is closer geographically, and residents shop foremost in the adjacent Santa Rita area.

Appendix 1 provides a copy of the petition, and Appendix 2, the district boundary maps. Historically the district boundary lines were established along the foothill ridgeline where Hidden Canyon Ranch Rd. now runs. The LESD was established in 1897. The reason the petitioners put forth for the territory transfer is, "To allow a new development split by the current boundary line to have a cohesive community identity."

The chief petitioners are Caroline Hodges and Amy Bordi. Public hearings regarding this petition, mandated by Education Code Section 35705, were held on September 17, 2019.

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Methodology

CW was engaged in evaluating the petition based on the conditions found in Education Code Section 35753 and determine whether the criteria are substantially met (Education Code Section 35709, 35710). The requirements are:

1. The new districts will be adequate in terms of the number of pupils enrolled.
2. The districts are each organized on the basis of 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 not promote racial or ethnic discrimination or segregation.
5. The proposed reorganization will not result in any substantial increase in costs to the state.
6. The proposed reorganization will not significantly disrupt the educational programs in the proposed districts, and districts affected by the proposed reorganization will continue to promote sound education performance in those districts.
7. The proposed reorganization will not result in a significant increase in school housing costs.
8. The proposed reorganization is not primarily designed to result in a significant increase in property values causing financial advantage to property owners because the territory was transferred from one school district to an adjoining district.
9. The proposed reorganization will not cause a substantial negative effect on the fiscal management or fiscal status of the proposed district or any existing district affected by the proposed reorganization.

There were no additional criteria added to the study scope. To conduct the study, we:

- ✓ Interviewed the lead petitioners (Ms. Caroline Hodges and Ms. Amy Bordi); the Superintendent of the Lagunita Elementary School District; the Superintendent, and Chief Business Official of the North Monterey County Unified School District; and, the Superintendent of Salinas Union High School District.
- ✓ Gathered information from the above-mentioned parties, the Monterey County Office of Education, the public hearings, the Monterey County Assessors and Tax Collectors office, the California Department of Education, and various other independent research sources in compiling this report and deciding the study results.
- ✓ Physically inspected the petition area by driving transportation routes to and from the territory and the affected schools. We also drove the surrounding community areas.

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Criterion #1: Adequate Number of Pupils

State's Criterion: EC Section 35753 specifies that the reorganized districts must be adequate in terms of the number of pupils enrolled.

Analysis: Section 18753(a) of Title 5 of the California Code of Regulations states that "It is the intent of the State Board that direct service districts not be created which will become more dependent upon county offices of education and state support unless unusual circumstances exist." Therefore, each district should have projected enrollment of at least 1,501 pupils in a unified district.

Lagunita ESD (LESD) is already a direct service district, and it is not unified. The District has about 100 pupils, and the proposed territory transfer would not affect the enrollment or its status as a direct service district. At present, 4-6 children reportedly reside within the proposed territory transfer area but currently attend private schools.

The potential for more student enrollment would be a benefit to LESD, according to the Superintendent. The District generates most of its enrollment from interdistrict transfers, e.g., from NMCUSD and Santa Rita Elementary School District. As a result, it is difficult to find and recruit board members. The LESD territory is sparsely populated, with only about 350 registered voters.

NMCUSD would like to retain as many pupils as possible. At present, there would be no loss of enrollment from the proposed territory as the 4-6 pupils that reside there are all in private school. The district would not become a direct service district as a result of this proposed territory transfer. NMCUSD's student enrollment for the fiscal year 2018-19 was 4,595.

The Salinas Union HSD's student enrollment was 15,818 in 2018-19 (according to the CDE). There would be no foreseeable impact on the district as a result of the territory transfer.

In summary, the reorganization will not create a new direct service district. CW confirmed with Larry Shirey, Consultant at the California Department of Education (CDE), that the criterion evaluation is to determine whether a new direct service district is created, and this petition would not.

Consultant's Conclusion: Based on the data and CW's analysis, the criterion is met, and the reorganized districts would be adequate in terms of the number of pupils enrolled.

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Criterion #2: Substantial Community Identity

State's Criterion: The newly reorganized school districts must be organized based on substantial community identity. We considered the following criteria to determine whether or not substantial community identity exists.

- (A) Isolation.
- (B) Geography.
- (C) Distance between social centers.
- (D) Distance between school centers.
- (E) Topography.
- (F) Weather.
- (G) Community, school, and social ties and other circumstances peculiar to the area.

Analysis:

The proposed territory transfer lies within the Hidden Canyon Ranch community. The development initially was 27 parcels, with 5-acre minimums, and was built in the year 2000. The development lies in a rural unincorporated area of Monterey County, approximately 10 miles north of the City of Salinas and 7.5 miles east of the unincorporated area of Prunedale along major roads. Fremont Peak State Park is on the eastern border. The Pacific coast is about 14 miles west.

The school district boundary line between NMCUSD and LESD/SUHSD was reportedly established in 1897 along the hill's ridgeline, now Hidden Canyon Ranch Rd. The school district boundary line divides the Hidden Canyon Ranch community. The petition seeks to consolidate the school attendance area within the development with the closest school district, LESD, and correspondingly to SUHSD.

The surrounding area is underdeveloped and consists of ranchettes with farms and cattle grazing. The Hidden Canyon Ranch development is the only major subdivision in the area. The Salinas General Plan promotes limited urban sprawl and emphasizes protecting the "valuable agricultural resource(s) and economic base" of the Salinas Valley. The County of Monterey General Plan also emphasizes rural area preservation of agricultural resources, retention of large lot sizes, and conservation of scenic areas. Given the current public policies, multi-family developments within the petition territory and the LESD boundaries are unlikely in the foreseeable future.

CW analyzed various indicators of community identity as follows:

Social Ties: The petitioners describe the development as a community where "everyone knows and looks out for each other." Given the rural location, social ties are formed within the development and then within religious, nonprofit, and work organizations outside the area, such as in Santa Rita, Salinas, and Monterey. The Hidden Canyon Ranch community petitioners did not identify the unincorporated communities of Prunedale and Castroville as places where they have common social ties.

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Criterion #2: Substantial Community Identity, Cont'd

Schools: There is a history of LESD attendance in the area. Half of the Hidden Canyon Ranch homes that lie within LESD sent four kids this year to the school. One long-time resident and lead petitioner attended LESD; her mother also attended LESD as a child. Lagunita Elementary School is about 1.6 miles from the territory transfer area.

At the same time, residences that border but are outside the Hidden Canyon Ranch development have attended NMCUSD. PES would be 3.6 miles from the development along Tarawild Ct. or Pesante Rd. but the west gates to Hidden Canyon Ranch are kept locked. Going around creates a 7.5-mile drive from the development to PES and a 12-mile drive to NMC High School.

Salinas UHSD serves high school needs of LESD matriculating students. They recently completed construction and opened in 2019-20, a new high school, Rancho San Juan. The school is 5 miles from Hidden Canyon Ranch, as compared to North Monterey County High, which is 12 miles away along Highway 156. LESD reported that a significant number of their matriculating students are now attending the new high school.

Shopping: The most frequently used major-chain grocery store is the Safeway in Salinas, 7 miles away. Also in Salinas are retail stores and services expected of an urban area, such as in the Northridge Mall, Costco, and Walmart. Salinas is the closest major shopping area.

Religious Centers: Driving down San Juan Rd. there are religious worship centers in neighboring Santa Rita and Salinas.

Demographics: The petitioners described the development as having a wide range of ages, young families to retirees, and race/ethnicity diversity (e.g., Caucasian, Hispanic, Asian, and Eastern European). Criterion #3 analyzes the affected school districts' demographics, which appear similar in overall make-up.

The area is more affluent than neighboring Monterey County areas. The average home prices in Hidden Canyon Ranch range between \$1 million to \$2 million compared to the Monterey County average home price of \$800,000 and in Salinas \$490,000 (source: Zillow).

Government Centers: The territory transfer addresses are in the 93907 Salinas postal zip code. The territory is approximately 10 miles to the City of Salinas, CA, which is the county seat with a 2010 census population of 150,441 (compared to Prunedale, an unincorporated area with about 17,000 residents). The average median household income in Salinas was \$49,840 (slightly less than the US median of \$53,889). There is a small airport. The San Jose International airport is 63 miles north. The petitioners cited Lagunita school as their only local "community center."

Climate: The climate is moderate, given the proximity to the ocean. The average high temperature is 68 degrees and a low of 48 degrees with 13 inches of rain annually.

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Criterion #2: Substantial Community Identity, Cont'd

Transportation: US Route 101 runs north to south and links the San Francisco Bay Area to the north to Los Angeles in the south. The transfer territory residents have the option to take backroads versus the highways to major shopping areas. The petitioners report they would not typically take Highway 156 (by which the North Monterey County High School is located) unless going into Monterey for a special event or to the coast. The territory properties are cut off from a direct backroad route to Prunedale since the back gates to the Hidden Canyon Ranch community are kept locked.

The NMCUSD bus stops are along Pesante Rd. or for high school only 2 miles away on Crazy Horse Canyon Rd. (at the landfill turnaround). Children from the Hidden Canyon Ranch territory cannot walk to the bus stops as there are no sidewalks, and there are safety hazards from wildlife and cars. The only route out of Hidden Canyon Ranch is on Crazy Horse Canyon Rd. Crazy Horse Canyon Rd. is windy, narrow, without lights or sidewalks, and has speed limits up to 55 mph with a daily average volume of traffic at 4,600 vehicles (per county studies).

The table below shows the driving distances between schools and petition territory.

North Monterey County Unified School District	Distances Between Petition Area and Schools
Prunedale Elementary (accessible route)	8 miles
North Monterey County High School	12 miles
Lagunita Elementary School	2 miles
Salinas Union High School District	
Rancho San Juan High School	5 miles

Consultant's Conclusion: Based on the data and CW's analysis, the school districts would be organized based on substantial community identity.

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Criterion #3: Equitable Division of Assets and Liabilities

State Criterion: The proposed reorganization will result in an equitable division of property and facilities, including debt and monies due and not collected.

Analysis: There are currently no public-school pupils residing within the proposed transfer area, and only an estimated 4-6 school-age pupils all attending private schools. Therefore, division of student body funds is not applicable, nor any other ADA based division of assets or liabilities.

According to NMCUSD, the district has \$3.5 billion in assessed property value. The proposed transfer area has an assessed valuation of \$8.8 million or one-quarter of one percent (.25%) of the district total. There are no district properties or school sites in the proposed transfer area.

Generally, division of the district's assets and liabilities are essential so that the newly reorganized districts (in this case, LESD and SUHSD) have equitable available resources (net of related obligations) to serve the increased pupil load. And percentages for proportionate ADA and AV are most frequently used in the division. But for this petition, the ADA and AV numbers are statistically insignificant. Computing and negotiating such a division would likely exceed the cost of any monies due LESD or SUHSD from NMCUSD for housing the additional 4-6 pupils, should they return from private school education.

Consultant's Conclusion: Based on the data and CW's analysis, the proposed territory transfer appears to result in an equitable division of assets and liabilities.

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**Criterion #4: Not Promote Racial or
Ethnic Discrimination or Segregation**

State Criterion: 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.

Analysis: The petition could transfer 4-6 white students from the NMCUSD school district to LESD. But these pupils are currently attending private school, so there is presently no racial or ethnic change as a result of the proposed reorganization. But even if they were to become public school students the difference would be statistically insignificant.

There are only 13 residential parcels in the proposed transfer area, and no known plans to change the county zoning to accommodate multiple families.

Both NMCUSD and SUHSD districts are presently majority Hispanic. The LESD has about an equal number of Hispanic and White pupils, in the majority. All affected school districts have a statistically small percentage of African Americans. There is a trend upwards in the proportion of Hispanic students in all of the affected districts. The table below shows the racial/ethnic breakdown by district for the past five years.

Enrollment Trend by Ethnicity

	2018-19	2017-18	2016-17	2015-16	2014-15
North Monterey County USD - Total Students	4,595	4,616	4,613	4,555	4,493
% Students - White	12%	12%	13%	13%	14%
% Students - Hispanic	86%	85%	84%	83%	83%
% Students - All Other Groups	3%	3%	3%	3%	3%
Lagunita ESD - Total Students	101	98	99	98	100
% Students - White	43%	43%	46%	51%	53%
% Students - Hispanic	43%	43%	42%	34%	34%
% Students - All Other Groups	15%	14%	12%	15%	13%
Salinas UHSD - Total Students	15,818	15,631	15,040	14,691	14,437
% Students - White	7%	8%	9%	10%	9%

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**Criterion #4: Not Promote Racial or
Ethnic Discrimination or Segregation, Cont'd**

Effect on Governing Board Policies and Plans Designed to Alleviate Segregation: Title 5 CCR requires governing boards to "...study and consider possible alternative plans when the pupils in one or more racial or ethnic groups differ significantly from the district-wide percentages." And, each school district must set forth policies, programs, and other plans to alleviate the harmful effects of segregation. As part of the evaluation of this criterion it must be considered how policies and plans might be affected as a result of the territory transfer. Also, factors that might affect integration such as distances between school centers, terrain, school capacity, and related conditions, should be considered.

All affected districts have policies of (1) equal opportunity for all students; (2) specific identification and assistance for English language learners; and (3) promotion of multicultural education.

Consultant's Conclusion: Based on the data and CW's analysis, the territory transfer would not promote racial or ethnic discrimination or segregation.

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Criterion #5: No Substantial Increase in Costs to the State

State Criterion: The proposed territory transfer will not result in any substantial increase in costs to the state. This criterion excludes the local control funding formula, the results (including any increased costs), which are permissible under EC Section 35735.1.

Analysis: This criterion is a non-issue since all affected districts are state aid funded school districts, new direct service schools would not be created (Lagunita is currently classified as such), and no affected district would create additional categorical program eligibility as a result of the transfer. In other words, state funding would not be increased as a result of reorganization.

Consultant's Conclusion: Based on the data and CW's analysis, it appears there would be no substantial increase in costs to the state as a result of the proposed territory transfer.

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Criterion #6: No Significant Disruption of the Educational Programs

State Criterion: The proposed territory transfer may not significantly disrupt the educational programs in the affected districts and will continue to promote sound educational performance.

Analysis:

The State's California School Dashboard, published by the California Department of Education, contains reports that display the performance of local educational agencies (LEAs), schools, and student groups on a set of state and local measures to assist in identifying strengths, challenges, areas in need of improvement and progress. The reported results for the 2018 school year for each district is as follows:

	School District		
	North Monterey County USD	Lagunita ESD	Salinas UHSD
Test Results			
English Language Arts	50 points below standard (yellow zone)	31.7 points above standard (green zone)	31.8 points below standard (orange zone)
Mathematics	85.9 points below standard (red zone)	2.7 points above standard (green zone)	89.9 points below standard (orange zone)
Student Statistics			
Enrollment	4,616	98	15,631
College/Career Prepared	36.1%	not applicable	40.6%
Graduation Rate	84.7%	not applicable	88.0%
Chronic Absenteeism	11.3%	2.0%	10.9%
English Language Learners	40.8%	n/a*	26.2%
Socioeconomically Disadvantaged	85.0%	n/a*	74.8%
Suspension Rate	4.3%	0.0%	6.4%

n/a not reported for privacy, due to small size*

Source: California Dashboard, CDE, 2018

NMCUSD and SUHSD serve similar student populations and large English Language Learner (ELL) populations. There is a correlation between the results on standardized tests and socioeconomic disadvantages and ELL challenges. NMCUSD and SUHSD have below standard results on standardized tests, while LESD has above standard results. The smaller learning environment may be a contributing factor LESD's performance. But, data related to ELL and socioeconomic factors are not available for LESD due to their small size (i.e., creates privacy concerns). All districts have met standards related to teacher credentials, provision of instructional materials, adequate facilities, implementation of academic standards, and parent engagement. NMCUSD and SUHSD offer a broad course of study, and LESD's offering for middle school age pupils is more limited due to the small enrollment.

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Criterion #6: No Significant Disruption of the Educational Programs, Cont'd

The proposed transfer of 4-6 pupils from NMCUSD to LESD/SUHSD, will not disrupt the educational programs in any affected district. And, the pupils are already in attendance at private schools.

Financial Resources for Educational Programs: It does not appear that any diminution of financial resources will occur that could negatively impact the ability of each district to continue existing educational programs. Also, see Criterion #9 Financial Impact for more discussion.

Consultant's Conclusion: Based on the data and CW's analysis, the proposed territory transfer does not appear to significantly disrupt the educational programs in the affected districts and would continue to promote sound educational performance.

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Criterion #7: No Significant Increase in School Housing Costs

State Criterion: The proposed territory transfer will not result in a significant increase in school housing costs.

Analysis:

The proposed territory transfer would transfer four-six pupils from NMCUSD to LESD/SUHSD, but the pupils are already in attendance in private schools. Therefore, there would be no impact on school housing. And, even if the students were to return to public school, the LESD administration has said there would be sufficient space and no increase in school housing costs as a result of the territory transfer.

School districts build and modernize school facilities frequently using local obligation bond revenues, which are approved by the voters. Bond revenue is derived from the assessed valuation (AV) of secured properties in the district. When territory is transferred, the AV is transferred, as well. According to the Monterey County Assessor's Office, NMCUSD would lose \$8.8 million in AV from the thirteen parcels, which is .25% of the total district AV of \$3.5 billion (see table below). And the LESD/SUHSD districts would gain an equivalent AV amount.

The table below also computes the lost annual tax revenue at \$5,566 and the resultant increase in taxes for the repayment of NMCUSD's bonds, at an estimated 16 cents per \$100,000 in AV. The percentage lost by NMCUSD and the impact on property taxpayers is very insignificant. For example, a home with AV of \$500,000 would experience an estimated \$.80 (less than a \$1) increase annually. Even projecting the completion of construction of the five vacant lots in the territory, there would not be a significant amount of added tax revenues in which to repay bonds, only an estimated \$3,165.

Impact of Territory Transfer on Assessed Valuation (AV) and NMCUSD Bond Tax Rate

	<u>Amounts</u>	<u>Source of Information</u>
NMCUSD Total Assessed Valuation	\$ 3,499,995,595	NMCUSD Study of Petition
Assessed Valuation of the Territory Parcels	8,792,745	Monterey County Assessor's Office
Percentage AV to be Transferred by NMCUSD	0.251%	
Tax Rate per \$100,000 of Assessed Valuation in NMCUSD	\$ 63.30	NMCUSD
Tax Revenue Generated by the Territory Properties Annually	\$ 5,566	Computed as AV/\$100,000 times tax rate
NMCUSD tax revenue generated, before reorganization	\$ 2,215,497	
NMCUSD tax revenue generated, after reorganization	2,209,931	
Change	<u>\$ 5,566</u>	
Change in tax rate due to loss of territory, per \$100,000 in AV	<u>\$ 0.16</u>	Territory Tax revenue divided by AV/100,000
<i>Example: Increase in annual tax on a \$500,000 home</i>	<u>\$ 0.80</u>	
Tax Revenue from Five Developed Lots, estimated at \$1M each	<u>\$ 3,165</u>	Computed as \$5M AV/100,000 times the tax rate

***Feasibility Study for the Proposed Territory Transfer from
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Criterion #7: No Significant Increase in School Housing Costs, Cont'd

The NMCUSD school district has approximately \$33.5 million in outstanding bonded indebtedness (as of June 30, 2018, audited financial statements), which is less than 1% of their AV. Bonding capacity is a debt limit. For a unified district it is 2.5% of AV, and if AB 48 passes in March 2020 (the statewide school construction bond), it will go up to 4% of AV. The transfer of the petition area will not significantly affect bonding capacity in any of the affected districts.

LESD has no bonds as there is little AV in the territory and only 350 voters, according to the district. Adding the territory to LESD and SUHSH would not significantly affect property tax revenues or housing costs.

SUHSD opened its 5th high school in 2019-20 with a capacity of 1,500 and current enrollment of 900. This school is the school of choice for the Lagunita and Santa Rita area. If the petition is approved, high school students from the Hidden Canyon Ranch development could attend the new school, and there is capacity. By contrast, NMCUSD reported overcrowded campuses and facilities challenges due to aging facilities.

Consultant's Conclusion: Based on the data and CW's analysis, the proposed territory transfer would not result in a significant increase in school housing costs.

**Feasibility Study for the Proposed Territory Transfer from
North Monterey County Unified School District to
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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values**

State Criterion: The proposed reorganization is primarily designed for purposes other than to significantly increase property values.

Analysis:

This Criterion is met if the petitioners have a compelling reason to put forth the petition for reasons other than significantly increasing property values. The petitioners put forth the primary reason for the petition is to “To allow a new development split by the current boundary line to have a cohesive community identity.” As discussed in Criterion #2, Community Identity, CW found that community identity exists within the development and the neighboring Santa Rita/Salinas communities. Criterion #2 was substantially met.

The Hidden Canyon Ranch development is bifurcated by two school district attendance areas. While it may not be unusual for district boundaries to run through communities as development expands into rural areas, this in itself is a legitimate reason to consider school district boundary changes. Plus, this development is small and has its own self described community identity through social ties and geographical isolation. The petition seeks to unite the community along common school district boundaries, and that reason is valid. On this basis alone, the criterion is met. But, to analyze further, CW conducted more research to answer the question of whether property values are affected by the school district boundaries in this area.

CW analyzed the financial impact (if any) of property owners selling their homes/lots based on school district location by:

1. Evaluating the likelihood of more development in the territory area and whether any individual or group of individuals stood to gain financially by the territory transfer.
2. Researching the market values, average prices per Sq. Ft. (or per acre, if a lot) and recent sales within the territory transfer area and outside.
3. Researching whether territory properties are being advertised as being “within Lagunita” with the apparent intent to increase property values to sellers.
4. Speaking with real estate professionals to determine whether, in their expert opinions, there is a valuation difference between being in or outside Lagunita/SUHSD versus NMCUSD.

Development Status in the Territory Transfer Area

The Hidden Canyon Ranch development was a block of twenty-six 5-10 acre parcels that were sold primarily between 2002-2006 by developer Don Chapin. Today, Mr. Chapin reportedly does not own any of the residential parcels within the development. CW found that sales histories support this assertion.

**Feasibility Study for the Proposed Territory Transfer from
North Monterey County Unified School District to
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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values, Cont'd**

Development Status in the Territory Transfer Area, Cont'd

Mr. Chapin does own his residence at 450 Crazy Horse Canyon Rd, which is outside the development, and within LESD/SUHSD district boundaries. He also owns industrial and commercial lots near Hidden Canyon, but these lots are also within LESD/SUHSD boundaries. Given this information, the developer appears to have no financial interest in the territory transfer. And, due to restrictive County building codes, there seems to be no opportunity for other individuals or groups to construct multi-family developments within the territory transfer area for substantial financial gain.

Market Research

The two tables on the following pages describe (1) each parcel within the territory transfer area and the adjacent area (all within NMCUSD boundaries), and, (2) parcels within Hidden Canyon Ranch development and the adjacent area (all within LESD/SUHSD). The purpose of analyzing values and sales inside and outside NMCUSD and LESD/SUHSD boundaries is to determine if there is a difference in property values or sales as a result of school district boundaries. To summarize, CW computed the price per square foot (or per acres, if a vacant lot), as shown in the table below:

	<u>Price per Sq. Ft.</u>
<u>Territory Inside NMCUSD</u>	
Territory Transfer Parcels	\$ 330.68
Adjacent Parcel to Territory	\$ 333.57
Range in Sales Price Per Sq. Ft	\$147-\$547
<u>Development Within LESD/SUHSD</u>	
Development Parcels Outside the Territory	\$ 300.47
Adjacent Parcels	\$ 290.43
Range in Sales Price Per Sq. Ft	\$130-\$358

* Note: Source is Zillow as there are realtors connected to the properties using their service, and the data was readily available. (We also looked at the Monterey County Assessor's website and other realty websites for validation).

As shown above, the estimated market price per sq. ft. was slightly higher within the territory as opposed to outside the territory. There does not appear to be any financial advantage to homeowners by being located within LESD/SUHSD versus NMCUSD.

**Feasibility Study for the Proposed Territory Transfer from
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Territory Transfer Area Parcels and Adjacent Parcels Within NMCUSD

Address	Home Sq. Ft. or Vacant, as applicable	# Acres	On or Off Market	Price Estimate		Year Home Built	Year Last Sold	Last Sold Info		
				or Listed Price if On Market*	Price per Sq. Ft (or Acre, if Lot)			Price Sold (or Acre, if Lot)	Tax Value	
Parcels Within the Territory Transfer Area										
8944 Hidden Canyon Rd	4,450	5.01	Off	\$ 1,302,574	\$ 292.71	2013	2013	\$ 1,025,000	\$ 230.34	1,126,386
8650 Carolines Ridge Rd.	4,535	5.01	Off	\$ 1,178,266	\$ 259.82	2010	2017	\$ 1,100,000	\$ 242.56	1,122,000
8654 Carolines Ridge Rd.	5,631	10.28	On Market	\$ 1,999,900	\$ 355.16	2007	lot sold in 2005 for \$495,000		\$ 48,152	1,184,000
8948 Hidden Canyon Rd	3,843	5.01	Off	\$ 1,023,947	\$ 266.44	unknown	lot sold in 2009 for \$370,000		\$ 73,852	975,882
8567 Donny's Ridge Rd.	3,552	7.21	Off	\$ 1,220,521	\$ 343.62	2004	2005	\$ 1,449,000	\$ 407.94	790,928
8424 Hidden Ridge Rd	1,600	7.51	Off	\$ 845,355	\$ 528.35	2007	2008	\$ 875,000	\$ 546.88	1,010,097
8420 Hidden Ridge Rd	4,611	5	Off	\$ 1,107,845	\$ 240.26	1978	2004	\$ 1,500,000	\$ 325.31	1,004,000
8428 Hidden Ridge Rd (address is 20175 Tarawild Ct., per County Assessor's office)	2,000	5.59	Off	\$ 718,219	\$ 359.11	1978	2002	\$ 295,000	\$ 147.50	390,658
8940 Hidden Canyon Rd	vacant lot	5.01	Off	\$ 329,500	\$ 65,900		n/a sold lot in 2018 for \$329,500		\$ 65,768	
8571 Donny's Ridge Rd.	vacant lot	10.2	On Market	\$ 399,000	\$ 79,800		n/a sold lot in 2015 for \$230,000		\$ 22,549	269,732
8659 Carolines Ridge Rd.	vacant lot, with foundation poured	5.01	On Market	\$ 420,000	\$ 84,000		n/a sold lot in 2006 for \$525,000		\$ 104,790	325,000
8663 Carolines Ridge Rd.	vacant	5.03	Off	\$ 325,000	\$ 65,000		n/a sold lot in 2004 for \$505,000		\$ 100,398	790,928
parcel #125291049000 (address 560 Crazy Horse Cyn, per County Assessor's Office)	vacant	2.96	Off	n/a	n/a		n/a		n/a	24,174
				Average Price Per Sq. Ft. \$	330.68					
				Average Price per Acre, Vacant Lot \$	73,675					
Adjacent Parcels, Not in Development but in NMCUSD										
20170 Tarawild Ct	4,000	9.28	Off	\$ 995,667	\$ 248.92	1982	no history found			503,703
19979 Pesante Rd	1,689	10.31	Off	\$ 804,681	\$ 476.42	1963	2013	\$ 540,000	\$ 319.72	593,411
20230 Wilder Ct	3,720	5.83	Off	\$ 920,230	\$ 247.37	1988	2012	\$ 540,000	\$ 145.16	609,026
20155 Tarawild Ct	2,144	6.02	Off	\$ 775,190	\$ 361.56	1978	2003	\$ 582,500	\$ 271.69	742,447

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Parcels in Hidden Canyon Development but Not in Transfer Area, Attendance Lagunita and SUHSD

Address	Home Sq. Ft. or Vacant, as applicable	# Acres	On or Off Market	Price Estimate		Year Home Built	Year Last Sold	Price Sold	Price per Sq. Ft (or Acre, if Lot)	Tax Value	
				On Market*	or Listed Price if none reliable						
Parcels Within the Territory Transfer Area											
8929 Hidden Canyon Rd.	5,800	5	off market	\$ 2,075,000	\$	357.76	Built 2017	Dec. 2017	\$2,075,000	\$ 357.76	2,116,500
8937 Hidden Canyon Rd.	4,540	5	off market	\$ 1,248,389	\$	274.98	built 2007	lot sold for \$525,000		n/a	1,106,000
8945 Hidden Canyon Rd.	vacant	5.62	off market	none reliable		n/a	n/a	lot sold for \$150,000 in 2009		n/a	
8729 Eagles Roost Rd.	4,600	6.04	off market	\$ 1,386,564	\$	301.43	built 2009	2016	\$ 600,000	\$ 130.43	1,240,483
8875 Erins Ridge Rd	vacant	5	on market	\$ 315,000	\$	63,000.00	n/a	lot sold in 2006 for \$445,000			325,000
8879 Erins Ridge Rd	3,682	5.01	off market	\$ 985,668	\$	267.70	blitit 2005	lot sold for \$425,000 2004			923,000
8734 Eagles Roost Rd.	vacant - bank owned	5	off market	n/a		n/a	n/a	lot sold for \$77,500 in 2012		\$ 15,500	87,261
8933 Hidden Canyon Rd.	vacant	5	off market	none reliable		n/a	n/a	lot sold for \$135,000 in 2009		\$ 27,000	156,211
8730 Eagles Roost Rd	vacant	5	off market	none reliable		n/a	n/a	lot sold for \$125,000 in 2009		\$ 25,000	144,639
8741 Eagles Roost Rd.	vacant	5.15	off market	none reliable		n/a	n/a	lot sold for \$125,000 in 2009		\$ 24,272	144,639
						Average Price Per Sq. Ft. \$					
						300.47					
Adjacent Parcels, Not in Development but in LESD											
604 Crazy Horse Cyn	2,341	8.94	off market	\$ 796,968	\$	340.44	built 1997	no history found			414,401
470 Crazy Horse Cyn	4,778	5	off market	\$ 1,033,217	\$	216.24	built 1980	1995	\$ 475,000		784,712
450 Crazy Horse Cyn	3,342	5	off market	\$ 854,044	\$	255.55	built 1979	2012	\$ 475,000		534,837
480 Crazy Horse Cyn	10,746	14.78	off market	\$ 2,469,800	\$	229.83	built 1989	no history found			3,777,397
378 Crazy Horse Cyn	2,881	5.03	off market	\$ 876,835	\$	304.35	built 1990	2010	\$ 375,000		430,683
612 Crazy Horse Cyn	2,501	10	off market	\$ 818,156	\$	327.13	built 2005	lot sold in 1999 for \$50,000			572,192
446 Crazy Horse Cyn	2,049	5.44	off market	\$ 736,501	\$	359.44	built 1979	no history found			549,250

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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values, Cont'd**

Comparable Sales Analysis

CW found by comparing Hidden Canyon property sales inside and outside the territory transfer area and within a narrow time frame that the selling prices were, with little exception, comparable. You will note that there were many lots purchased in 2005 at the top of the market in this development. Lots were selling at about \$500,000 for 5 acres, in the majority. Then in 2009, the market dropped, and these same properties (shaded) were selling for about \$130,000 outside the territory (LESD/SUHSD territory) and one sold within the NMCUSD territory for more, at \$370,000 (NMCUSD territory). The comps show that there is no price advantage of being in LESD/SUHSD versus NMCUSD.

Comparable Sales Analysis

	<u>Comps Within and Outside the Territory</u>	<u>Description of Sale/Listing</u>	<u>Year of Sale (or Listed)</u>	<u>Total Price</u>	<u>Price per Sq. Ft (or Acre, if Lot)</u>
Comp #1	<u>Within the Territory (NMCUSD)</u>				
	8654 Carolines Ridge Rd.	5,631 sq. ft. home	On Market	\$ 1,999,990	\$ 355.16
	<u>Outside the Territory (LESD/SUHSD)</u>				
	8929 Hidden Canyon Rd.	5,800 sq. ft. home	December 2017	\$ 2,075,000	\$ 357.76
Comp #2	<u>Within the Territory (NMCUSD)</u>				
	8948 Hidden Canyon Rd	Lot sale, 5 acres	2005	\$ 515,000	\$ 103,000
	8571 Donny's Ridge Rd.	Lot sale, 5 acres	2005	\$ 257,500	\$ 51,500
	8659 Carolines Ridge Rd.	Lot sale, 5 acres	2006	\$ 525,000	\$ 105,000
	<u>Outside the Territory (LESD/SUHSD)</u>				
	8734 Eagles Roost Rd.	Lot sale, 5 acres	2005	\$ 525,000	\$ 105,000
	8933 Hidden Canyon Rd.	Lot sale, 5 acres	2005	\$ 505,000	\$ 101,000
	8730 Eagles Roost Rd	Lot sale, 5 acres	2005	\$ 520,000	\$ 104,000
	8741 Eagles Roost Rd.	Lot sale, 5 acres	2005	\$ 500,000	\$ 100,000
	8945 Hidden Canyon Rd.	Lot sale, 5.62 acres	2005	\$ 750,000	\$ 133,452
Comp #3	<u>Within the Territory (NMCUSD)</u>				
	8948 Hidden Canyon Rd	Lot sale, 5 acres	2009	\$ 370,000	\$ 74,000
	<u>Outside the Territory (LESD/SUHSD)</u>				
	8945 Hidden Canyon Rd.	Lot sale, 5.62	2009	\$ 150,000	\$ 26,690
	8933 Hidden Canyon Rd.	Lot sale, 5 acres	2009	\$ 135,000	\$ 27,000
	8730 Eagles Roost Rd	Lot sale, 5 acres	2009	\$ 125,000	\$ 25,000
	8741 Eagles Roost Rd.	Lot sale, 5 acres	2009	\$ 125,000	\$ 25,000

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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values, Cont'd**

Advertising of School District Attendance Area

CW researched the websites commonly used to sell a home in the area (including Zillow, RedFin, For Sale by Owner, and the MLS) to determine whether there were property owners within the territory advertising (for presumed financial gain) that the property was in LESD/SUHSD versus NMCUSD. We found no realtor or owner placed advertisement promoting that a parcel was within LESD/SUHSD in any listing or potential listing.

What we learned is that all of these realty websites all use a school rating service provided by GreatSchools.org, which in turn uses the national database on school district boundaries from Pitney Bowes. Both of these companies have erroneously flagged the territory parcels as being within LESD/SUHSD, probably due to Lagunita School being geographically closer and due to insufficient data in this newer and rural development. And both Great Schools and Pitney Bowes have disclaimers about the accuracy of their information. Such as:

“School attendance zone boundaries are subject to change, and we recommend checking with the applicable school district prior to making a decision based on these boundaries.” - Pitney Bowes

“Pitney Bowes does not have School Attendance Zones for every school. While we research creating SAZs for all public schools, there are several situations where this is not possible: We are unable to locate an official source for the school boundary information from the district, the school, or local or state government. Without such official sources we cannot create SAZs as we have no data to base them on.”

And in the FAQ on Great Schools website: “The wrong school is assigned to my address, how can I correct this?” Answer: While we do provide school data to other sites, some directly and some via a third party, this data is limited to school performance and directory data. School assignments and district boundary data is not something we provide. This data is licensed to us through Pitney Bowes, and we cannot make manual changes to it. We do update this data feed on a quarterly basis. If you notice a school assignment inaccuracy on GreatSchools, it will likely be corrected the next time we update our Pitney Bowes data.

Even on the website “for sale by owner,” 8428 Hidden Ridge Rd is listed as being in LESD/NMCUSD, but once again the source is Great Schools and not the seller. Plus, on this website the Status is listed as “not active on forsalebyowner.com.”

Conclusion? CW found no instance where a property owner was advertising the territory transfer parcels are being within LESD/SUHSD, and the data used by Great Schools is not correct. CW also confirmed with local realtors that when a property is listed and then sold the correct school district must be disclosed.

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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values, Cont'd**

Discussions with Local Realtors and the County Assessor's Office

CW spoke with Bill Dunston, Broker with Dunston Realty, about the property values in Hidden Canyon Ranch development. He was the original realtor that sold the lots in that area and recently sold a home at 8929 Hidden Canyon Rd., located within LESD/SUHSD. Mr. Dunston said that he does not think that property values are differentiable between the parcels in LESD vs. NMCUSD. He said that "no buyer decided to buy or not to buy based on the school district."

Mr. Dunston went on to say that "initially (when the lots first sold), it was confusing which district the parcels were in, but they sorted that out." He said the proper school district was disclosed to each buyer. He also confirmed that Zillow is not highly accurate.

Mr. Dunston also said that North Monterey County High is preferable over Everett Alvarez High School, because of reported gang activity in East Salinas. He was unsure about the desirability of the new Rancho San Juan School. In other words, going to SUHSD would not be a property value advantage. And lastly, in this price point, Mr. Dunston said that most of the parcels and homes he has sold in the area are to older individuals whose children were already out of school, so school choice was not a consideration.

On Nov. 20th, CW spoke with Realtor Noe Renteria with Remax, who is the agent that is listing 8654 Carolines Ridge property for \$2M. This property is within the territory transfer area and NMCUSD boundaries. When CW asked Mr. Renteria whether the school district made a difference in valuing the listing and he said: "no, it never crossed my mind." He did not believe there is a difference between the two districts that would impact property value. He thought the MLS had the correct school district identified but acknowledged it was confusing. And he shared Mr. Dunston's view about the unreliability of school information on major realty websites.

Finally, Nick Ortega, Appraisal Supervisor, with the County of Monterey, said that they don't specifically look at district of residence (school districts) when appraising property because that is not what drives the market value of the property. They look at comparables within a neighborhood, properties of similar size, quality, etc. It becomes more complicated if they have to look in other areas of the county for similar sized/types of properties, but within a neighborhood, that (school district boundaries) does not affect the value of the property.

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**Criterion #8: Not Primarily Designed to Result in a
Significant Increase in Property Values, Cont'd**

Summary

CW found no evidence to support that the petition was put forth primarily to raise property values. Community identity is a compelling primary reason for the transfer. The Hidden Canyon Ranch development is zoned for single-family homes and not for multi-family developments. The original developer has no on-going financial stake in the development. Sales histories and comps show no distinction between parcel values in NMCUSD versus LESD/SUHSD. Local realtors and the County Assessor's Office do not attribute value to being located within LESD/SUHSD versus NMCUSD. And, we found no homeowner advertising Lagunita school district as a selling point, but we did find inaccurate school reporting by national databases.

Consultant's Conclusion: Based on the data and CW's analysis, the proposed reorganization is primarily designed for purposes other than to significantly increase property values.

**Feasibility Study for the Proposed Territory Transfer from
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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District**

State's Criterion: 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.

Analysis: CW analyzed the current fiscal management and status of each school district and the budgetary impact of the proposed reorganization. There are no schools located within the proposed territory, so there is no impact on school facilities or a need for the reassignment of staff.

Local Control Funding Formula (LCFF)

The four (4) school-age pupils that currently live within the proposed transfer area are attending private schools. As such, there is **no impact on LCFF, no loss of ADA to NMCUSD and no loss of revenues.**

NMCUSD claims an over \$4.5 million monetary loss as a result of the transfer, and their analysis is flawed. NMCUSD is multiplying over 30 years an assumed number of public-school pupils that might someday live within the 13 parcels times the Local Control Funding Formula (LCFF). The District is only looking at the projected revenue number of over \$4 million and, without regard that it costs money to educate pupils, as discussed more here.

NMCUSD did not consider in their analysis the cost of education, such as teachers and classified salaries, employee benefits, books, utilities, and transportation expenses (to name a few). It is erroneous to say that there is no cost of educating pupils. **California funding is designed to follow the student and pay for their education.** Each year dozens of children come in and out of NMCUSD (and every other district in the State), and with the student comes LCFF funding in which to pay for their cost of education.

The pupils within the territory pose no impact on NMCUSD's enrollment. NMCUSD has growing enrollment with a one-year slight dip in ADA (that is protected from LCFF loss by the "declining enrollment adjustment" whereby the State funds at the higher of current or prior ADA). The four school-age pupils in the territory, even if they were to attend NMCUSD's public schools, would comprise .0009% of the total enrollment of NMCUSD, an inconsequential number. And the same goes for the future, there are only 13 parcels, mostly owned by older individuals. With only a few 10 acre lots that could conceivably be sub-divided into 5-acre parcels, the number of children would never reach a level that could negatively impact any of the affected districts.

To recap, NMCUSD would lose no Local Control Funding Formula (LCFF) money only an estimated \$5,117 annually in property tax revenue (that is built into the LCFF revenue calculation and is deducted from the State's apportionment guarantee). The table on the next page shows the tax rate areas assigned to the petition area (source: Monterey County Tax Collector's office). Furthermore, no lay-offs or program adjustments would need to be made by NMCUSD, as a result of this transfer.

**Feasibility Study for the Proposed Territory Transfer from
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Criterion #9: No Substantial Negative Effect on the Fiscal Status and Management of Each District, Cont'd

Local Control Funding Formula (LCFF), Cont'd

Currently, the two tax rate areas generate only \$5,117 for NMCUSD. Post-transfer, the properties would be in tax rate area #086-013, and the schools would receive \$2,534. But, without regard to the transfer, the districts do not keep any of these dollars under the LCFF formula as the State reduces their payment share. The bottom line, no state or federal funding would be lost.

	Percentage	AV for TRA 099-048	Annual Tax		Before Reorg	After Reorg
			Revenue	1% of	Tax Revenue - Territory	
County	1.000000%	0.91	29,732,172	297,322	\$	79,580
Hartnell	0.037649%	0.03	1,119,387	11,194		2,996
No Mty Cty USD	0.064213%	0.06	1,909,192	19,092		5,110
	1.101862%	1.00	32,760,751	327,608	\$	87,686

	Percentage	AV for TRA 086-013	Annual Tax				
			Revenue	1% of			
County	1.000000%	0.94	24,839,796	248,398	\$	226	\$ 82,295
Hartnell	0.037649%	0.04	935,193	9,352		9	3,098
Salinas Union High/Lagunita	0.030790%	0.03	764,817	7,648		7	2,534
	1.068439%	1.00	26,539,807	265,398	\$	242	\$ 87,927

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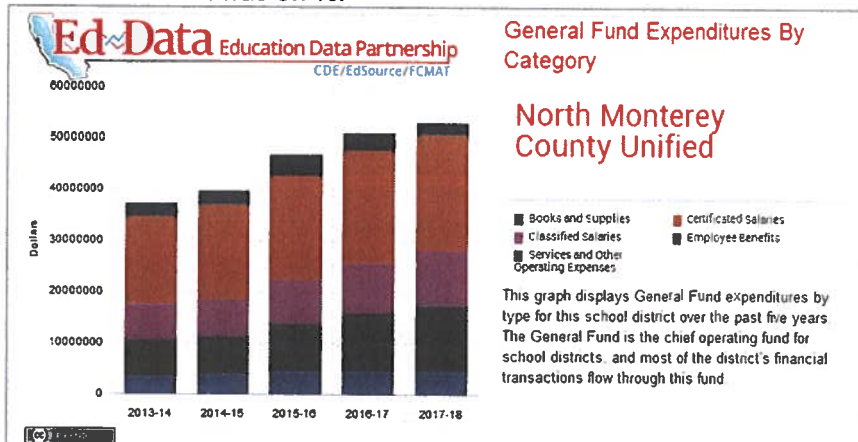
**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Current Fiscal Management and Status

All affected districts have exhibited good fiscal practices, each filing “positive certifications” of fiscal health to the County and State and none receiving letters of going concern issues from the county office or independent auditors. A review of past audit reports shows no material deficiencies, which evidences proper fiscal management.

However, NMCUSD did report to CW that the district has school facilities and fiscal challenges.

- According to district management, facility needs are enormous; the schools are old and overcrowded with many portables that are in poor condition. Raising capital financing is a challenge with a fluctuating property tax base since the power plant comprises over 12% of the tax base and is taxed based on production.
 - CW Analysis: The transfer of the territory would not significantly help or hinder the facility's needs financing since the assessed valuation (AV) to be transferred of \$8.5 million is only .25% of the District's total AV (over \$3 billion). Plus, the District is at only 1% of the bonding capacity and can issue bonds up to 2.5% of assessed valuation, an estimated \$45 million in new funding in which to build and modernize schools (and without the AV for the territory petitioned for transfer).
- According to NMCUSD management, the District made General Fund budget cuts amounting to \$2M over the past few years. The budget continues to be challenged by high transportation costs and special education costs.
 - CW Analysis: The District's total expenditure budget is currently about \$55 million, a cut of \$2 million would be 3.6% of the budget. Comparing 2018-19 expenditures to 2017-18 expenditures of \$53,187,767, there was a 3.4% increase (not a decrease in expenditures). The State COLA was 3.7%.

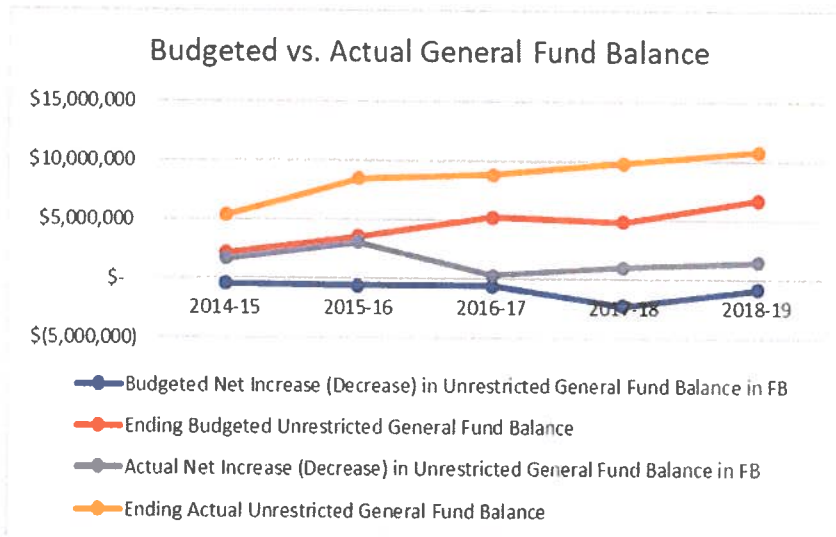


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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Current Fiscal Management and Status, Cont'd

CW further analyzed the fiscal status of NMCUSD by recapping prior fiscal years' budget versus actual results, as shown in the following chart and table. Annually, NMCUSD budgets a deficit of expenditures over revenues. The District budgets at the State's 3% minimum fund balance reserve requirement. However, the actuals results are significantly improved over the budget. Over the past five years, NMCUSD has not deficit spent, and each year increases the ending Unrestricted General Fund balance.



Change in Budgeted Unrestricted General Fund Balance and Actual Results

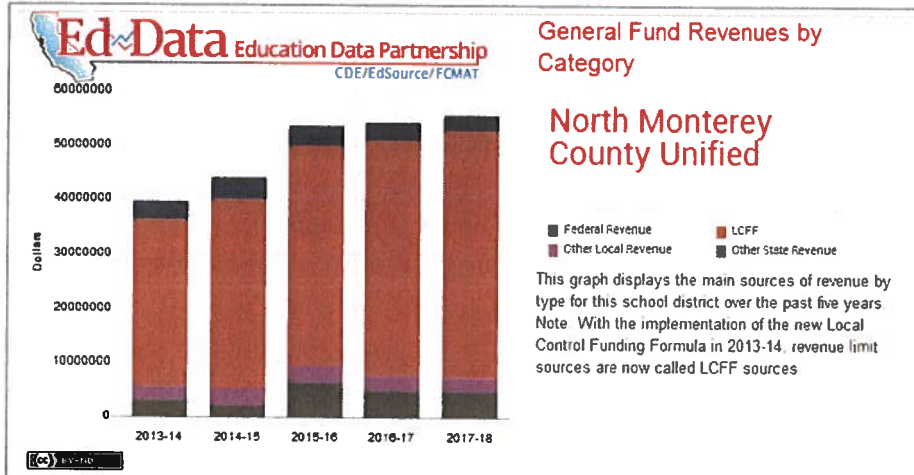
	Prior Fiscal Years					Budgeted	Forecasted	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Budgeted Net Increase (Decrease) in Unrestricted General Fund Balance in FB	\$ (434,955)	\$ (583,359)	\$ (583,188)	\$ (2,191,327)	\$ (808,000)	\$ (2,350,000)	\$ (2,843,000)	\$ (2,511,000)
Ending Budgeted Unrestricted General Fund Balance	\$2,211,874	\$3,602,191	\$5,228,177	\$4,886,605	\$6,743,000	\$7,444,000	\$4,601,000	\$2,090,000
Actual Net Increase (Decrease) in Unrestricted General Fund Balance in FB	\$1,699,633	\$3,091,464	\$331,097	\$1,026,116	\$1,486,388			
Ending Actual Unrestricted General Fund Balance	\$5,403,530	\$8,494,994	\$8,826,091	\$9,854,207	\$10,839,453			
Difference in Actual Results over Budgeted Net Increase (Decrease) in Unrestricted Fund Balance	\$2,134,588	\$3,674,823	\$914,285	\$3,217,443	\$2,294,388			
Difference in Actual Results over Budgeted Ending Unrestricted Fund Balance	\$3,191,656	\$4,892,803	\$3,597,914	\$4,967,602	\$4,096,453			

Sources: District Adopted Budget, State Standards and Criteria and District Unaudited Actuals

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Current Fiscal Management and Status, Cont'd

NMCUSD has also grown in overall General Fund revenues for the past five years, as shown:



The fiscal impact of the petitioned territory with only one child not of school age, two middle school children, and one of high school age, all of which are in private school, is \$0. At best, the current homeowners might switch from private to public schools, but it's unlikely as parents do not typically change secondary schools mid-stride.

On a positive fiscal note, NMCUSD's enrollment is up slightly over the past five years, from 4,493 in 2014-15 to 4,595 in 2018-19, according to the CDE DataQuest (see tables on the following page).

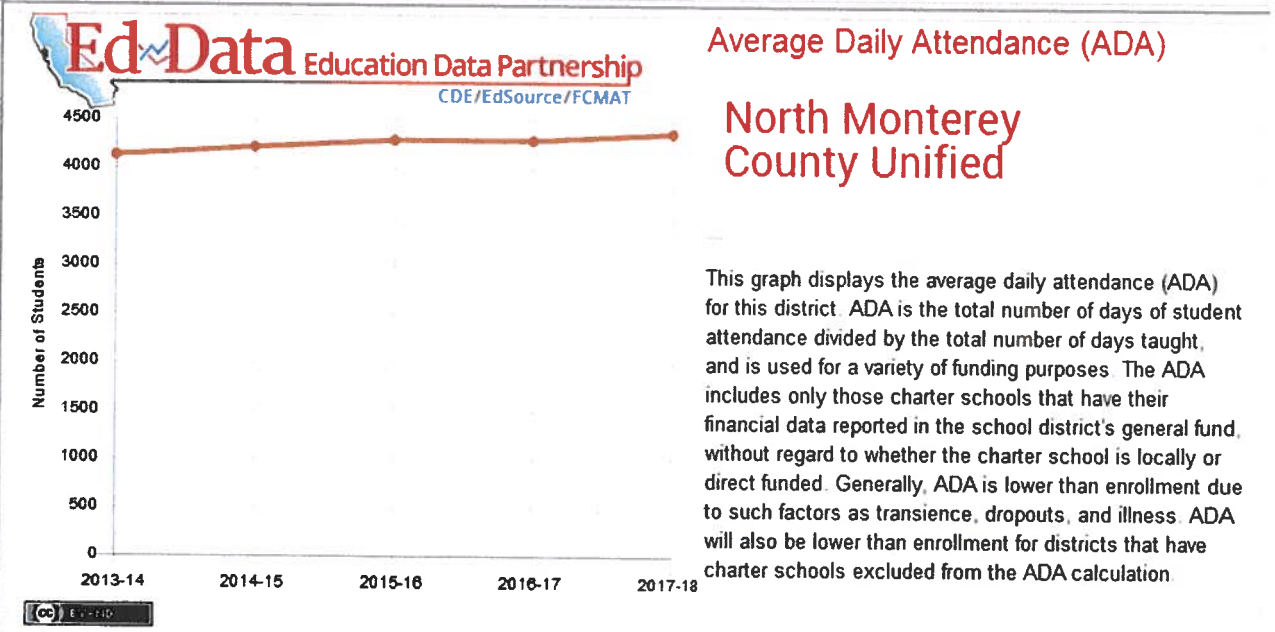
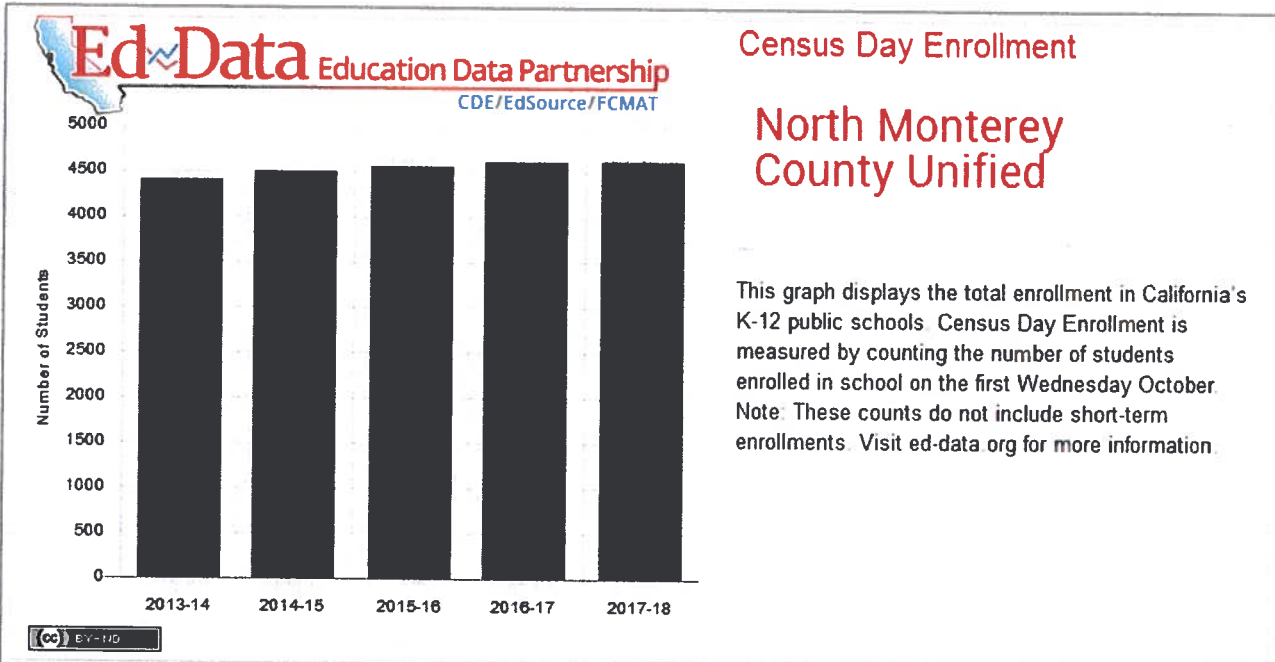
LESD's enrollment has been flat, around 100 pupils, and SUHSD has grown over the past five years from 14,437 pupils to 15,818 pupils.

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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Current Fiscal Management and Status, Cont'd

Historically NMCUSD has experienced increased enrollment over the past three years, and an overall increase in ADA, see tables below. Enrollment continued to increase in fiscal year 2018-19 to 4,621, while ADA decreased to 4,325.



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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Current Fiscal Management and Status, Cont'd

A summary of the available fund balance reserves in each district is shown in the following table. All of the districts meet or exceed the minimum recommended fund balance reserve levels set forth by the State.

Financial Trends - Ending Balance, Available Reserves, and ADA			
	North Monterey County USD	Lagunita ESD	Salinas UHSD
2018-19 (Unaudited or Estimated Actuals)			
Ending General Fund Balance	12,983,153	not available	24,621,781
Available Reserves	1,782,000	not available	16,510,297
Available Reserves as a Percentage of Total Outgo	3.02%	not available	11.22%
Average Daily Attendance, P-2	4,330	not available	14,681
2017-18 (Audited)			
Ending General Fund Balance	11,461,318	512,136	24,194,192
Available Reserves	1,650,000	313,069	16,220,037
Available Reserves as a Percentage of Total Outgo	3.00%	31.50%	8.78%
Average Daily Attendance, P-2	4,366	95	14,626
2016-17 (Audited)			
Ending General Fund Balance	10,197,942	508,517	26,348,450
Available Reserves	1,607,998	303,035	16,199,539
Available Reserves as a Percentage of Total Outgo	3.00%	28.50%	9.40%
Average Daily Attendance, P-2	4,297	96	14,273
2015-16 (Audited)			
Ending General Fund Balance	10,239,206	531,593	24,212,211
Available Reserves	1,499,300	388,791	14,048,350
Available Reserves as a Percentage of Total Outgo	3.00%	43.50%	8.60%
Average Daily Attendance, P-2	4,298	94	13,868

Source: District Financial Statements and Budget Reports

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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Financing Facilities – Bonds and Developer Fees

LESD has only about \$18 million in assessed valuation (AV), which means a limited bonding capacity of less than \$250,000. The addition of the territory parcels with \$8.5 million in AV would increase bonding capacity for LESD by about \$100,000. LESD reportedly has periodic major maintenance needs that could be funded by a bond issuance or developer fees. The potential for \$64,000 in developer fees from the territory would be a significant financial benefit to a small district such as LESD.

As discussed in Criterion #7, NMCUSD has outstanding bonds and bonding capacity in which to finance facilities. NMCUSD also has unsecured debt for Certificates of Participation (COPs), amounting to \$5.5 million as of June 30, 2018 (per the audited financial statements).

In 2010, NMCUSD issued COPs for emergency facilities repairs and it was intended that developer fees would repay the debt. But according to NMCUSD management, the developer fee income has fallen far short of projections, and the annual debt service of approximately \$850,000 is paid primarily with General Fund revenues. The territory transfer does not help or exacerbate the COP debt problem, as no ADA funding is lost, and the collection of developer fees (estimated at \$64,000 one-time revenues) is minimal compared to the need, as further analyzed below.

NMCUSD's developer fee income for fiscal year 2018-19 amounted to \$118,000 (per the unaudited actual financial reports). The development of the five vacant lots in Hidden Canyon Ranch petition territory may happen someday. New construction could yield approximately \$64,000 in developer fees (at \$3.79 per sq ft). Unlike low-income properties in NMCUSD that receive waivers from developer fees, the Hidden Canyon Ranch development would need to pay the fees. But, even with \$64,000 in one-time developer fees from the territory, the district would be woefully short in making the COP payment out of developer fees.

Developer fees must be spent to mitigate the student growth impact of development. Presently there are no public school pupils in attendance at NMCUSD. Therefore, there would be no growth impact from the Hidden Canyon Ranch development, although the funds might be spent towards the past COP debt (\$64,000 being a 7% one-time annual debt service contribution).

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**Criterion #9: No Substantial Negative Effect on the Fiscal Status and
Management of Each District, Cont'd**

Financing Facilities, Cont'd

In NMCUSD's Residential Development School Fees Justification Study (March 11, 2016), the School Facilities Cost Impacts per Residential Unit was computed at \$13,113 (\$4.86 per sq. ft.). And the study estimated that 790 NMCUSD students were projected to not have adequate school housing. Given these numbers and as shown in the analysis below, NMCUSD would incur more cost to house the Hidden Canyon Ranch pupils than would be collected in developer fees.

Developer Fee Income Versus Cost of Housing Territory Pupils

Estimate square foot to be developed (5 parcels at 3,378 average sq. ft. of existing homes in territory)	\$	16,890
Developer fee per square foot allowed by law		3.79
Estimated developer fee income	\$	64,013
School facilities cost impact per residential unit *	\$	13,113
Number of parcels estimated for future development		5
	\$	65,565
Cost of housing the territory's students in excess of developer fee income collected	\$	(1,552)

* Source: NMCUSD Residential Development School Fees Justification Study, March 11, 2016

Other Debt

There are retirement pension liabilities that are shared proportionately by all California school districts for CalPERS and CalSTRS. These pension liabilities are not controllable by districts and not impacted by the petition. NMCUSD has only a small unfunded post-employment liability of \$311,000 as of June 30, 2019, which would not be affected by the petition transfer of territory.

**Feasibility Study for the Proposed Territory Transfer from
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Summary of Fiscal Impact Analysis

- All affected districts are financially sound.
- NMCUSD has experienced positive changes in General Fund Balances and increasing fund balances over the past five years. Enrollment has also been increasing slightly. LESD has been fiscally stable with flat enrollment.
- The fiscal impact of the transfer of assessed valuation, in which to levy taxes and repay bonds, would be negligible (See Criterion #7).
- The fiscal impact on all affected districts from the State's funding formula, LCFF, is \$0. There are no pupils in public schools in the territory. And, even if there were pupils in public schools, there would be costs associated with revenues, leaving no fiscal impact.
- No NMCUSD program dismantling would result from the territory transfer.
- The territory transfer would not cause employee lay-offs or salary/benefit reductions.
- NMCUSD does have to grapple with the COP debt and aging facilities, but the petition does not significantly help in meeting that challenge, nor hinder.
- The transfer would help LESD by providing developer fees for facilities improvements and additional AV in which to issue bonds.

Consultant's Conclusion: Based on the data and CW's analysis, the proposal would not have a substantial adverse effect on the fiscal management or fiscal status of the existing district affected by the proposed reorganization.