

Merrett R. Stierheim, Superintendent of Schools

**SUBJECT: HOMESTEAD EDUCATIONAL FACILITIES BENEFIT
DISTRICT - STATUS REPORT**

The Board at its Special Meeting of February 24, 2004 considered the attached Replacement SP-1 agenda item, regarding a proposed Educational Facilities Benefit District in the City of Homestead, and voted to table the item until its April 14, 2004 meeting. At the Facilities Management School Board Committee Meeting of April 8, 2004, staff presented an update of actions undertaken since the special meeting.

It was the sentiment of the Board members attending the Committee meeting that the Board would require detailed demographic and other information in order to adequately address this issue and that a workshop should take place. At the Board meeting of April 14, 2004, the Board approved Replacement Agenda Item A-6 (formerly E-11) which:

- 1) deferred consideration of the creation of an Educational Facilities Benefit District as previously set forth in agenda item Replacement SP-1; and
- 2) directed the Superintendent to schedule a workshop to be held within the next 30 days.

Due to scheduling conflicts, the workshop needed to be scheduled for the morning of the Board's meeting of May 19, 2004. At the workshop, staff will present the most updated demographic information available and will be prepared to address any specific questions raised by the Board. Staff has discontinued any negotiations with the Developer as of the April 8th 2004 Facilities Management School Board Committee Meeting pending further policy guidance.

The Board should be aware that through the passage of Senate Bill 3000 (and if signed by the Governor), impact fees arising from new developments may be diverted away from the District's capital outlay program. The operative language from the bill is as follows:

To the extent that charter school facilities are specifically created to mitigate the educational impact created by the development of new residential dwelling units, pursuant to subparagraph (2)(c)4., some of or all of the educational impact fees required to be paid in connection with the new residential dwelling units may be designated instead for the construction of the charter school facilities that will mitigate the student station impact. Such facilities shall be built to the State Requirements for Educational Facilities and shall be owned by a public or nonprofit entity. The local school district retains

the right to monitor and inspect such facilities to ensure compliance with the State Requirements for Educational Facilities. If a facility ceases to be used for public educational purposes, either the facility shall revert to the school district subject to any debt owed on the facility, or the owner of the facility shall have the option to refund all educational impact fees utilized for the facility to the school district. The district and the owner of the facility may contractually agree to another arrangement for the facilities if the facilities cease to be used for educational purposes. The owner of property planned or approved for new residential dwelling units and the entity levying educational impact fees shall enter into an agreement that designates the educational impact fees that will be allocated for the charter school student stations and that ensures the timely construction of the charter school student stations concurrent with the expected occupancy of the residential units. The application for use of educational impact fees shall include an approved charter school application. To assist the school district in forecasting student station needs, the entity levying the impact fees shall notify the affected district of any agreements it has approved for the purpose of mitigating student station impact from the new residential dwelling units.

Of serious concern is the provision for the devotion of impact fees paid in conjunction with a new development to fund the construction of charter school facilities that will "mitigate the impact" of the new development. This provision would exclude the District as a party to the decision making process as the agreement would be between the County and the developer. The ability to direct the revenue stream to the support of particular developments compromises the District's ability to issue debt and damages the ability of the District to pay existing debt service on COPS issued to construct schools in the currently defined impact areas. Additionally, student stations required by the new development are given priority over existing needs both inside and out of the boundaries of the impact fee area.

The above legislation will negatively impact the District's ability to bond out impact fees for its capital program. The District's Bond Counsel and Financial Advisor are currently working with Staff to determine the probable impacts on the District's financial capacity, credit ratings, and contractual arrangements with Miami-Dade County. Their findings will be presented at the workshop.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida receive the status report on the Homestead Educational Facilities Benefit District.

ATTACHMENT

Office of Superintendent of Schools
Special Board Meeting of February 25, 2004

February 24, 2004

Merrett R. Stierheim, Superintendent of Schools

**SUBJECT: REQUEST FOR AUTHORIZATION TO CONSIDER THE
 POSSIBLE CREATION OF AN EDUCATIONAL FACILITIES
 BENEFIT DISTRICT OR AN ALTERNATE STRATEGY IN ORDER
 TO PROVIDE PUBLIC EDUCATIONAL FACILITIES IN THE CITY
 OF HOMESTEAD**

Introduction

At its meeting of February 11, 2004, the School Board directed staff to schedule a special meeting to discuss the possible creation of an Educational Facilities Benefit District (EFBD) or alternate strategy to provide public educational facilities in the City of Homestead. Since then, staff has had numerous discussions with representatives of M&H Homestead, LTD, a/k/a Keys Gate III Land Trust (Developer), which have culminated in the proposal letter received Friday evening, February 20, 2004 forwarded to the Board under separate cover. Briefly, the Developer's proposal can be described as follows:

1. Creation of an EFBD, which would include approximately 9,200 residential units on two non-contiguous areas located within the Keys Gate and Renaissance Planned Unit Developments for the purpose of building and financing the construction of three (3) K-8 charter schools. The EFBD would be in force for a period of 30+ years;
2. Funding for the construction of the three K-8 schools would be provided by annual assessments on individual properties within the EFBD (\$180/property), a payment of \$350 per student by the prospective charter school operator, a presently unfunded School Board contribution of \$250/student station for the 30+ year financing period (\$1,203,000/year) and all educational facility impact fees paid to the county in connection with permitting the 9,200 units;
3. The Developer would donate three parcels to the EFBD, two adjacent 11-acre sites and one 7-acre site. The proposed K-8 charter schools would each have a total of 1,604 student stations, with a total combined projected occupancy of 4,330, taking into consideration small class size amendment requirements. (Note: The adjacency of the two parcels would create challenges as it relates to establishment of attendance boundaries);
4. The proposed charter schools would be built in accordance with the District's prototype facilities list for K-8 schools, and would come on line in a phased fashion, with the first one proposed to be on line in the Fall of 2005, the second one in 2006 and the third one in 2008;

**REPLACEMENT
SP-1**

5. The referenced K-8 schools would be built to later accommodate modular units for expansion purposes, if needed, which would be funded on a 50/50 basis by the EFBD and the School District, unless otherwise agreed upon;
6. The EFBD would finance and construct a high school on a site provided by the School Board (at Homestead AFB, presently unfunded) paid by the Board, except that should the School Board find it would have insufficient funds to meet debt service for such purpose, the EFBD would seek approval of an additional annual assessment of up to \$20/residential unit;
7. Students residing within the EFBD would be guaranteed attendance at the three K-8 charter schools. In the event the EFBD were to provide partial funding for the high school, students residing within the EFBD would also be guaranteed attendance at the high school. (Note: Because the two areas within the EFBD are non-contiguous, legal questions pertaining to attendance, the ABC process, the unitary system and state charter school laws would have to be addressed relative to children living between and immediately outside those areas.)

The major differences between the proposal described above and that previously submitted is as follows:

- it would require School Board participation in any future expansion at one or more of the three charter schools on a 50/50 basis;
- it includes a provision for a possible additional assessment as partial contribution for the construction of a high school component, if needed;
- it solidifies the fact that three, rather than four K-8 schools would be constructed; and
- the three K-8 charter schools would be built in accordance with the District's prototype facilities list.

Definition of Educational Facilities Benefit District (EFBD)

An Educational Facilities Benefit District (EFBD) is a financing mechanism authorized by State law which permits the voluntary imposition of special assessments on property owners to partially fund the costs of new school construction. Creation of an EFBD requires the consent of the School Board, all local general purpose governments within whose jurisdictions a portion of the EFBD is located, and all landowners within the district. The governing board of the EFBD will include representatives of the School Board, each cooperating local general purpose government, and the landowners within the EFBD.

An EFBD will have, and its governing board may exercise, the following powers:

1. To finance and construct educational facilities within the district's boundaries;
2. To sue and be sued in the name of the district; to adopt and use a seal and authorize the use of a facsimile thereof; to acquire, by purchase, gift, devise, or otherwise, and to dispose of real and personal property or any estate therein,

and to make and execute contracts and other instruments necessary or convenient to the exercise of its powers;

3. To contract for the services of consultants to perform planning, engineering, legal, or other appropriate services of a professional nature. Such contracts shall be subject to the public bidding or competitive negotiations required of local general purpose governments;
4. To borrow money and accept gifts; to apply for unused grants or loans of money or other property from the United States, the state, a unit of local government, or any person for any district purposes and enter into agreements required in connection therewith; and to hold, use, and dispose of such moneys or property for any district purposes in accordance with the terms of the gift, grant, loan, or agreement relating thereto;
5. To adopt resolutions and policies prescribing the powers, duties, and functions of the officers of the district, the conduct of the business of the district, and the maintenance of records and documents of the district;
6. To maintain an office at such place or places as it may designate within the district or within the boundaries of the local general purpose government that created the district;
7. To lease as lessor or lessee to or from any person, firm, corporation, association, or body, public or private, any projects of the type that the district is authorized to undertake and facilities or property of any nature for use of the district to carry out any of the purposes authorized by this act;
8. To borrow money and issue bonds, certificates, warrants, notes, or other evidence of indebtedness pursuant to this act for periods not longer than 30 years, provided such bonds, certificates, warrants, notes, or other indebtedness shall only be guaranteed by non-ad valorem assessments legally imposed by the district and other available sources of funds provided in this act and shall not pledge the full faith and credit of any local general purpose government or the district school board;
9. To cooperate with or contract with other governmental agencies as may be necessary, convenient, incidental, or proper in connection with any of the powers, duties, or purposes authorized by this act to accept funding from local and state agencies as provided in this act;
10. To levy, impose, collect, and enforce non-ad valorem assessments, as defined by s. 197.3632(1)(d), pursuant to this act, chapters 125 and 166, and ss. 197.3631, 197.3632, and 197.3635;
11. To exercise all powers necessary, convenient, incidental, or proper in connection with any of the powers, duties, or purposes authorized by this act;

State law also provides that the student population of all facilities funded by EFBD's shall, to the greatest extent possible, reflect the racial, ethnic, and socioeconomic balance of the school district pursuant to state and federal law. However, to the extent allowable pursuant to state and federal law, the interlocal agreement providing for the establishment of the educational facilities benefit district may provide for the School Board to establish school attendance zones that allow students residing within a reasonable distance of facilities financed by the EFBD to attend such facilities.

Analysis

Demographics and Facilities Considerations:

The February 11, 2004 Board item, forwarded to the Board under separate cover, identified a number of challenges and opportunities associated with the Developer's proposal to create an EFBD and emphasized the importance of reviewing these in the context of the District as a whole. Table I below compares current conditions against future projected growth through 2010, provides a snapshot of the District's facilities plan for the next six years, and estimates the unfunded capital liability. The student population projections are based on information provided by the Miami-Dade County planning department, and on information obtained from municipalities under the auspices of the Interlocal Agreement.

Table 1 - Oct. 2003 v. 2010 Student Population and Station Needs

ACCESS Center	2003 Student Population	2003 Student Stations*	Projected 2010 Student Population	Funded Student Stations Through 2009**	Estimated Unfunded Liability***
I	61,689	52,747	67,778	63,778	\$65.6M
II	50,579	43,758	55,778	52,517	\$65.2M
III	47,494	48,024	53,197	53,772	\$33.3M
IV	48,977	50,165	59,744	54,186	\$94.4M
V	66,030	58,855	72,945	69,938	\$47.2M
VI	62,872	55,518	82,529	65,809	\$281.3M
District-wide	337,641	309,067	391,971	360,000	\$587.0M

* Includes permanent and relocatable stations

** Includes both existing student stations and stations added through funded projects in 5-year plan

*** Estimate is based on 2004 state caps on cost per student station and does not include cost of land

In order to properly respond to the Developer's proposal, it is crucial that a number of related implications be identified and analyzed.

1. The Developer's proposal to build a combined 9,200 units in the City of Homestead represents only about 25% of the total estimated future housing units for southwest Miami-Dade, all of which has definable school needs. However, the Developer's proposal requires a concentration of resources that benefits only a small area;
2. Based on the demographics above, most of the projected student population growth in the District over the next 6 years is expected to occur in southwest

Miami-Dade and more specifically within ACCESS Center VI, which encompasses unincorporated Miami-Dade as well as the incorporated areas of Homestead and Florida City. This notwithstanding, it is important to realize that this *projected growth* is largely predicated on continued sustained residential development over time and unchanging market conditions, and discounts the possibility of any economic slowdown. According to the District's financial consultant, even a small increase in interest rates could have a sizable impact on new housing starts. This is a particularly important consideration since the shifting of all resources to the subject area could result in overbuilding to the detriment of other needs elsewhere in the District.

Financial and Other Considerations:

The proposal requests that the School Board, at its meeting of February 25, 2004, agree to the creation of the Homestead EFBD and agree to execute an interlocal agreement with Miami-Dade County and the City of Homestead which would "set out the general parameters of the School Board's participation in the Homestead EFBD." Given the 'governmental-type' powers that State law permits to EFBDs, the School Board should not agree to the execution of an interlocal agreement until all of its terms are reviewed and understood.

The cash flows associated with the proposed Homestead EFBD are visually depicted on the attached flowchart (see Attachment I). The schedule below summarizes the cash flows suggested by the proposal. 'Negatives' within the chart imply MDCPS cost items and 'positives' conversely, benefits to the District.

		<u>Over life of EFBD</u>	<u>Net Present Value</u>
<u>Annual Contribution sought by Proposal from the District</u>			
Number of Student Stations in EFBD Charter Schools	4,812		
times EFBD Proposed \$\$ per student	\$250	(\$38,095,000)	(\$19,551,182)
	<u>\$1,203,000</u>		
<u>Use of Impact Fees Generated by the New Construction (\$18.4M) for EFBD</u>		(\$18,400,000)	(\$15,615,579)
<u>Resources provided through Proposal not otherwise available to District</u>			
a) Charter School Lease Payment			
Number of Students in EFBD Charter Schools	3,365	\$37,859,500	\$19,638,583
times Lease payment per student	\$350		
	<u>\$1,177,750</u>		
b) Non-Ad valorem Assessments paid by Homeowners			
Number of Housing Units Proposed	9,200	\$66,310,892	\$35,765,171
times Assessment per unit	\$180		
	<u>\$1,656,000</u>		
c) Donation of Land			
Acres of Land	29	\$7,250,000	\$7,250,000
times cost per acre	\$250,000		
	<u>\$7,250,000</u>		
	Total	<u>\$54,925,392</u>	<u>\$27,486,993</u>

Within the "four corners" of the proposal, one may argue that the District may be better off financially. However, there are critical issues that need to be considered before arriving at a definitive conclusion.

1. General Fund Revenue Loss: As a student moves from a MDCPS school into a charter school, the FTE revenue follows the student. The District's General Fund loses revenues as follows:

<u>Net Operational Income Loss due to Increase in Charter School Students</u>			<u>Over life of EFBD</u>	<u>Net Present Value</u>
	Number of Students in EFBD Charter Schools	3,365	<u>(\$173,194,556)</u>	<u>(\$79,587,364)</u>
times	Average Revenue per FTE (Keys Gate)	\$4,984		
times	Percentage	20.00% ^(a)		
less	5% on first 500 students	\$124,600		
		<u>\$3,229,632</u>		

^(a) 80% of an FTE is expensed for School direct/indirect costs, 10% is used to ensure that 90% Districtwide is spent for School direct/indirect costs, and 10% covers the administrative cost and overhead (includes ACCESS centers, SBAB, etc)

A loss of revenue of this magnitude to the General Fund more than offsets the economic gain from the proposal. In fact, the proposal would result in \$52.1 million present value loss to the District. The District can provide funding for three K-8 elementary schools for basically the same cost if land is factored out of the equation (see Attachment II).

2. The precedent set by the creation of the EFBD may encourage other developers and municipalities to seek the same structure. Multiple hits to the General Fund of this magnitude will weaken the District's financial strength and adversely impact its credit rating;
3. Special assessments for education, on the County's tax bill, will likely hinder support for a general obligation bond issue because those taxpayers are already paying an annual assessment for their schools;
4. New housing developments, or established wealthier areas, that can support new and faster construction or amenities through special assessments may lead to a two-tiered education system, at least at the infrastructure level. Also, the virtual guarantee to a neighborhood that their schools will never be overcrowded is problematic and may pose possible legal challenges;
5. While we have described in Table 1 above an unfunded need for \$587 million for student station construction, there is an additional \$870 million of unfunded maintenance needs through 2010. The proposed payment of \$250/student/year by the District to the EFBD would be funded from the 2-mill and therefore will bleed funds away from the District's Capital Fund.

Based on the above, and in an effort to be responsive to the most immediate pressing needs within Homestead proper for additional school facilities, staff recommends that

the five-year work plan be amended to fund in FY 03-04 a K-8 facility, to be built by the Developer as a turnkey project on land donated by the Developer. The school would be run as a traditional public school. Concurrently, District staff would do the following:

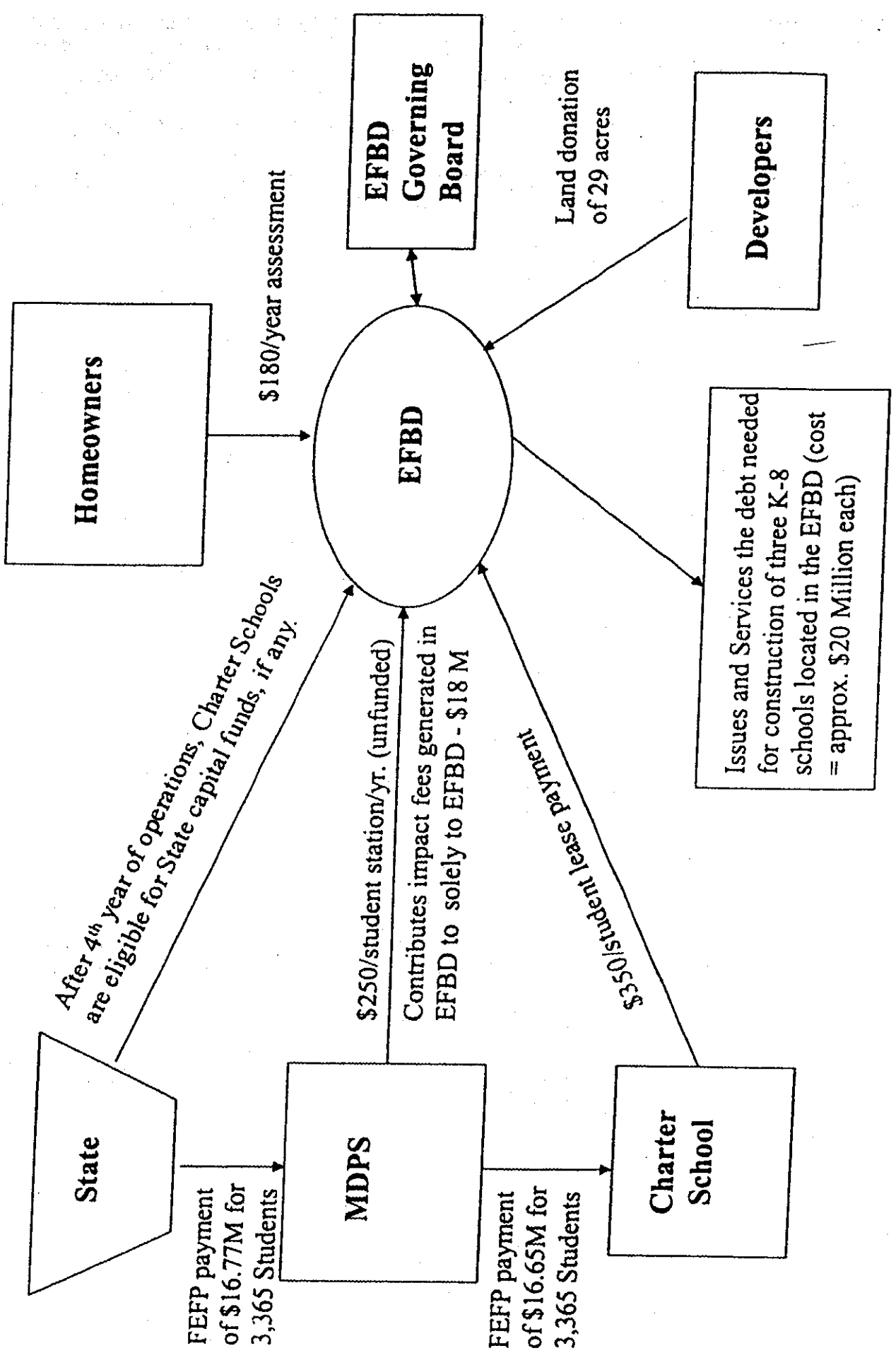
1. Cooperate with Miami-Dade County staff to complete a build-out study jointly;
2. Determine which areas in south/southwest Miami-Dade, are projected to generate new homeowners and students, as well as how attendance boundaries and school capacity would be impacted;
3. More fully analyze other growth areas in the District to determine how the District can cope with that growth as well.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida, authorize the Superintendent to:

1. hold in abeyance final action on the EFBD proposal and in lieu thereof, authorize staff to proceed with a COP to finance in FY 03-04 the construction of a K-8 facility as a turnkey facility, built by the Developer and on land donated by the Developer in the City of Homestead; and
2. cooperate with Miami-Dade County staff to complete a build-out study jointly; and
3. determine, more specifically, the areas in south/southwest Miami-Dade which are projected to generate new homeowners and students, and when, as well as how attendance boundaries and school capacity would be impacted as a result; and
4. more fully analyze other growth areas in the District to determine how the District can cope with that growth as well.

Flowchart of Annual Cash Transfers under Proposed Homestead EFBD Proposal



Net Economic Impact to District of Homestead EFBD Proposal

I - Net Operational Income Loss due to Increase in Charter School Students

Number of Students in EFBD Charter Schools	3,365
Average Revenue per FTE (Keys Gate)	\$4,984
Percentage	20.00% ^(a)
5% on first 500 students	\$124,600
	<u>\$3,229,632</u>

^(a) 80% of an FTE is expensed for School direct/indirect costs, 10% is used to ensure that 90% Districtwide is spent for School direct/indirect costs, and 10% covers the administrative cost and overhead (includes ACCESS centers, SBAB, etc)
This impacts the General Fund.

II - Annual Contribution sought by Proposal from the District

Number of Students Stations in EFBD Charter Schools	4,812
EFBD Proposed \$\$ per student	\$250
	<u>\$1,203,000</u>

This impacts the LOML Capital Outlay Fund

III - Net Debt Service on School to be paid by MDPS

IV - Use of Impact Fees Generated by the New Construction (\$18.4M) for EFBD

V - Resources provided through Proposal not otherwise available to District

a) Charter School Lease Payment

Number of Students in EFBD Charter Schools	3,365
Lease payment per student	\$350
	<u>\$1,177,750</u>

b) Non-Ad valorem Assessments paid by Homeowners

Number of Housing Units Proposed	9,200
times Assessment per unit	\$180
	<u>\$1,656,000</u>

c) Donation of Land

Acres of Land	29
times cost per acre	\$250,000
	<u>\$7,250,000</u>

Over life of EFBD	Net Present Value of Alternatives			III - One MDPS School - Turnkey thru Interlocal
	EFBD Proposal	MDPS Schools & EFBD in place	II - MDPS Schools - Turnkey thru Interlocal	
(\$173,194,556)	(\$79,587,364)	\$0	\$0	\$0
(\$38,095,000)	(\$19,551,182)	\$0	\$0	\$0
(\$18,400,000)	(\$15,615,579)	(\$47,655,578)	(\$47,655,579)	(\$15,885,193)
\$37,859,500	\$19,638,583	\$0	\$0	\$0
\$66,310,892	\$35,765,171	\$35,765,171	\$0	\$0
	\$7,250,000	\$7,250,000	\$7,250,000	\$7,250,000
Total	<u>(\$52,100,371)</u>	<u>(\$4,640,407)</u>	<u>(\$40,405,579)</u>	<u>(\$8,635,193)</u>