



COAST UNIFIED SCHOOL DISTRICT
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Victoria Schumacher, Superintendent

RECEIVED

August 18, 2014

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✓ San Luis Obispo County Grand Jury
P.O. Box 4910
San Luis Obispo, CA 93403

San Luis Obispo
Grand Jury

Presiding Judge Dodie A. Harman
Superior Court of California
1035 Palm Street, Room 355
San Luis Obispo, CA 93408

Re: Response of the Superintendent of Coast Unified School District to
San Luis Obispo County Grand Jury Report

Dear Members of the Grand Jury and Honorable Presiding Judge Harman:

The Superintendent of the Coast Unified School District is in receipt of the San Luis Obispo County Grand Jury's report entitled "Developer Fees: A School Lesson in Justification" ("Report") dated June 5, 2014. The Report pertains to the use of development fees charged by Cayucos Elementary School District ("Cayucos Elementary") and Coast Unified School District ("Coast Unified") pursuant to California Education Code sections 17620 through 17626 and California Government Code sections 65995 through 66008.

Dr. Victoria Schumacher, current Superintendent of Coast Unified, hereby responds to the Report pursuant to Penal Code section 933.05. In addition to Dr. Schumacher, the following persons also acted as Superintendent of Coast Unified during the time relevant to the Report: Pamela Martens was Superintendent of the District from July 1, 1997 to June 30, 2008, Chris Adams was Superintendent of the District from September 1, 2008 to September 24, 2013, and Dr. Richard Malfatti was Superintendent of the District from October 1, 2013 to June 30, 2014. Dr. Victoria Schumacher has been the District's Superintendent since July 1, 2014.

The Superintendent's responses to Findings 1-6 and Recommendations 1-4 follow.

RESPONSE TO GRAND JURY'S FINDINGS

Finding 1. *Cayucos Elementary and Coast Unified are not in compliance with California Education Code section 17623 as they are operating without a fee splitting agreement since it expired in 2010.*

It is accurate that Cayucos Elementary and Coast Unified's development fee agreement, effective July 1, 2008 – June 30, 2010, has expired. Regardless of the expiration date, Coast Unified School District and Cayucos Elementary School District have continued to honor the terms of the original agreement. Coast Unified agrees to commit to negotiate a fee splitting agreement in compliance with Education Code section 17623, and is willing to consider arbitration in the event the parties cannot reach a new agreement.

Finding 2. *The fees for development projects in Cayucos might need to be paid to two separate locations since Cayucos Elementary and Coast Unified cannot agree on having the fees collected at a single site.*

I partially disagree with the finding. Coast Unified will consider the County Superintendent's offer to collect the development fees at the County Office of Education, and will work with Cayucos Elementary to resolve this matter.

Finding 3. *Coast Unified's proportion of Cayucos developer fees have been expended at locations other than Coast Union High School in breach of the fee splitting agreement between the school districts, and also it does not meet the reasonable relationship established by the Government Code section 66001(a)(3) between the imposition of the fee on a Cayucos development and the benefit within Coast Unified.*

I partially disagree with the finding. The fee splitting agreement does not limit expenditures to the Coast Unified High School only. In regards to expenditures related to administration facilities, the prior District administration facilities were located at the Coast High School. Attendance growth, partially resulting from development, and earthquake damage, necessitated the move of these facilities from the high school to the grammar school. Coast High School students receive a benefit from having fully-functioning administrative services, as well as offices where such students have the ability to use board room and administration facilities. The District intends to review the remaining list of its expenditures.

Finding 4. *Neither Cayucos Elementary nor Coast Unified have verified their compliance with Government Code section 66001(d) that mandates five-year audits of the developer fee programs.*

I partially disagree with this finding. Coast Unified conducts an annual audit of its developer fee program. Furthermore, as part of the Grand Jury Review, staff provided all pertinent information available regarding Coast Unified's imposition of development fees. Nevertheless, the Grand Jury's analysis is well-taken, and I will ensure a more strict compliance with Government Code section 66001(d).

Finding 5. *Despite the intent within the justification studies to demonstrate student enrollment growth, the increased enrollment projected by both districts has not been realized as Cayucos Elementary and Coast Unified school districts have both experienced stagnant or declining enrollment and under capacity of maximum enrollment.*

I partially disagree with this finding. When new dwelling units are constructed, they create a need either from the District having to modernize existing facilities to accommodate this growth or to build new facilities. The District's current fee justification study shows an unmet need for school facilities in excess of \$15,000,000. In addition, there is a shortfall between projected developer fee revenue for each new student and the cost of housing such student in excess of \$8,000. Combined, these two facts illustrate that new development results in the District continuing to face increased facilities costs necessitating the collection of developer fees.

Finding 6. *The Education or Government Code does not provide for administrative oversight of developer fees beyond their local school board. Therefore, school districts have the authority to act independently with no oversight, especially from the County Office of Education.*

I agree with this finding.

RESPONSE TO GRAND JURY'S RECOMMENDATIONS

Recommendation 1. *Cayucos Elementary and Coast Unified school districts should cooperate and must negotiate a new developer fee splitting contract.*

Coast Unified understands and appreciates the importance of its obligation under state law to enter into a development fee splitting agreement with Cayucos Elementary. Pursuant to Education Code section 17623, Coast Unified will cooperate with Cayucos Elementary to negotiate a new fee splitting agreement. If it becomes clear that these negotiations will not result in a new fee splitting agreement, Coast Unified will consider arbitration pursuant to Education Code section 17623(b).

Recommendation 2. *Cayucos Elementary and Coast Unified school districts should work together, along with the County Superintendent of Schools, to agree on one location for the collection of the fees, so as to not create the need for a developer to travel to two places to pay the respective portion of the fee.*

This recommendation requires further analysis. Coast Unified will consider the County Superintendent's offer to collect the development fees at the County Office of Education, and will work with Cayucos Elementary to resolve this matter.

Recommendation 3. *Coast Unified's proportion of the fees collected from Cayucos development should be used at Coast Union High School on legally permissible items.*

This recommendation requires further analysis. While it is always the intent of Coast Unified to comply with the law as to its developer fee program, there may be instances, on a case by case basis, where legitimate expenditures may be made to fund projects that are not located at Coast Union High School and which are attributable to new development and subject to the applicable development fees.

Recommendation 4. *Cayucos Elementary and Coast Unified school districts must complete the five-year audits required under the code.*

This recommendation requires further analysis. Coast Unified has conducted annual audits of its developer fee program. A great deal of the information found in the annual audits would also be found in a five-year audit. Coast Unified is fully aware of the need to properly account for all monies collected through development fees. Coast Unified will review its compliance with Government Code section 66001 and, if necessary, will undertake any required audit or supplemental audit. In addition, Coast Unified will consider including the audit requirements found in Section 66001 within the district's existing annual audits.

CONCLUSION

Once you have had an opportunity to review the foregoing, please contact the undersigned with any follow-up comments or questions you may have.

Very truly yours,

A handwritten signature in cursive script that reads "Victoria Schumacher".

Dr. Victoria Schumacher
Superintendent

cc: Board of Trustees
Coast Unified School District
Dr. Julian Crocker