

BRAY SCHOOL IMPACTS

As I have considered this private development proposal, the number one priority for me has been to ascertain what would be the impact to our schools. As we first started discussing the Bray proposal, what we all quickly learned was that – regardless of whether the Bray proposal is accepted -- there will be a likely need for a second elementary school in Liberty Park, but no need for a high school. We learned that more students were coming to Liberty Park Elementary whether we approve the Bray or not – and this increase in students was eventually going to require the construction of a new elementary school.

For me, this was a game-changer. This meant we needed to secure a proper site for the school and choose a plan that would best provide the necessary funding to build the school – an annual debt service cost of \$1.5 million. This fact prompted the City to ask for new, more advantageous agreement terms. I believe Mr. Weaver will provide comments on steps the Council took to negotiate the terms for the good of our school system.

IMPACT ON SCHOOL GROWTH AND REVENUE

Once I knew that a new elementary school would be needed in Liberty Park regardless, my next priority was to discover which plan would best provide the funding that would be needed to construct and operate the new school.

There are two choices: the current master plan or the Bray. First, I looked at the effect on housing units:

- The current plan would provide for the construction of 3,226 housing units, and the Bray plan provides for the construction of 3,870 housing units – a net difference of 644 housing units.

Next, I looked at the effect on student population:

- Using current student yield rate per Liberty Park households and the actual Colonial Grand apartment yield rate, the current plan, after full build-out, would yield 711 students and the Bray plan would yield 878 students – a total difference of 167 more students across the entire system.

Given the current number of students in our school system, this is a relatively small student impact. The number of additional students has no effect on the need for a new elementary school – the school will be needed regardless. This number also has negligible effect on the final capacity of the new elementary school.

For the purposes of discussion, I want to note that the debt service on a new elementary school would be about \$1.5 million. Additionally, the system would need an appropriate site. These facts drove our discussions with the developer.

THE BRAY PROPOSAL: A RARE REVENUE OPPORTUNITY

The Bray provides an estimated \$850 million in private capital investment with a gross city and schools' revenue benefit of \$230 million over 25 years.

By contrast, the current plan does not provide any strong likelihood of retail and commercial development other than one-off strip-mall developments like the Publix-anchored shopping center, On Tap, Anytime Fitness, and the gas station that are allowable under the current zoning. These businesses are not planned mixed-use developments like what the Bray plan provides, and I understand strip malls are not the type of development the people in Liberty Park want. I have heard this specific statement from many people in Liberty Park.

The Bray plan provides for significant private capital investment and solid revenue projections. The only revenue we can be sure of under the current plan is that of single-family and multi-family homes, and this would not produce the kind of revenue the school system will need to build the future elementary school. Residential housing units add students to our schools and cover operational costs, but they don't put enough extra dollars in the school system's pocketbook for capital expenditures. Under the current plan single-family homes would produce \$82 million in City revenues over 25 years, compared to \$230 million with the Bray plan. The Bray plan is, quite obviously, a much stronger revenue model and it will produce the kind of development Liberty Park residents desire.

SCHOOL BOARD'S CAPITAL PLAN

After assessing the student and revenue impacts for our schools, I had a high-level discussion about Liberty Park capital planning with the superintendent. From that conversation, I understand that -- generally speaking -- the school system will budget to use Bray revenues to fund the new school. This prompted me to ask whether the Bray projected revenues will likely be sufficient to fund the projected building and operation of the schools in Liberty Park.

WILL BRAY REVENUE BE ENOUGH TO MEET SCHOOL CAPITAL NEEDS?

Obviously, the Bray plan provides significantly more revenue than the current plan, both for the city and the school system. My next question was: will the increased revenue be enough?

To answer this question, I asked for a comparison of the Bray school revenue projections and the new elementary school expense projections. Our system will have students that will come from new housing units, but our school board will also have new revenue coming from the development. I wanted to know what the flow of needs and cash would be over the next 25 years.

WHAT THE PRO FORMA SHOWS

Dr. Freeman put together a Liberty Park pro forma showing the comparison of Bray revenue to the cost to build and operate a new school over a 25-year period. The pro forma allowed me to put in various build-out rates to study the impact of the rate of development. I studied this comparison of revenue to costs and drew two conclusions:

- First, over 25 years, the school system will almost certainly see a substantial cumulative net gain when comparing expenses to revenue. In other words, the Bray revenues should support the school need in the long-haul and produce a significant surplus by the end. **I concluded the Bray development would more than sustain the costs of providing an education to new Liberty Park students over the long-haul.**
- Second, the school system was concerned the model showed there may be a short-term capital funding deficit during the early period of the new school construction. This would only occur if the single-family build-out rate was extremely fast – faster than our city has ever seen in its history. At this super-high rate of single-family build-out, this short-fall might occur for a period of 5-10 years. More likely, it will not occur at all. This shortfall only occurs at the most rapid rate of build-out – a rate of 86 units or more built per year, a rate which is unprecedented in our city's or Liberty Park's history. **From this, I concluded that the short-fall is very unlikely to occur, but it could happen.**

MITIGATING THE SCHOOL SYSTEM'S RISK

Because of this uncertainty in build-out rates and revenue projections, the school system has asked for assurance from the City that we are willing and able to serve as a backstop for our school system's capital needs in Liberty Park should we approve this proposal. In other words, if there is a temporary deficit in revenue, the school board wants to know if

the City would be willing and able to step up to provide temporary support to cover some portion of debt service for the new elementary school.

CITY HISTORY OF SCHOOL SUPPORT

To answer this question, I reflected back on our city's history of supporting our schools and the partnership that has made our city's education system one of the best in the state. I reflected on the way our city has made decisions that support emergency school capital needs.

- In spring of 2016, the city gave the school system \$2 million to help with the purchase of what is now the new Pizitz Middle School campus.
- In spring of 2018, this Council approved a new funding source, the one-cent sales tax. Before we approved this ordinance, the Council discussed how the new money would be spent and we put this into a Resolution. We only budgeted three-quarters of the expected yield, because we wanted to have a reserve to help the schools if there were future capital needs. For this reason, our Resolution stated one of the possible purposes of the new Community Spaces fund was for the "financial support of the public school system of the City." This Council included some cushion for schools because we knew there might a future emergency capital need based on student yield projections. We were thinking ahead.
- In 2019, the school system asked the City to pay \$280,000 per year to back a short-term loan to finish up some important projects to complete the renovation and build-out at the Pizitz campus. This Council approved the commitment of \$280,000 per year, over 10 years (that is, \$2.8 million total), to cover various capital projects. The City's last payment on this commitment occurs in FY28.

There are many such examples of our city -- time after time -- stepping up to ensure the quality of our school facilities. These examples demonstrate that our city will continue to support our schools' capital needs when there is an emergency short-fall.

COMMUNITY SPACES AS A SCHOOL FUNDING SOURCE

The Community Spaces yield has proven to be more than enough to cover our initial list of projects. We expect our Community Spaces projects will be wrapped up in FY22 with the last commitment of funds for Wald Park Phase III. Beginning in FY23, the city estimates that our uncommitted funds in that account will begin accumulating at the rate of \$2 million per year, and that is a conservative estimate. My point is simply that the city expects to have uncommitted capital funds that we could appropriate to help the school

system in the event of an emergency capital short-fall. The city must be prudent in planning for this possibility.

I believe that the Bray plan provides the most revenue for schools to meet their future needs, and I am in favor of approving the plan. If we approve the Bray, I suggest the City place a portion of Community Spaces funds in reserve, starting in FY23. I recommend we watch build-out and student yield rates in Liberty Park so we can anticipate when the need is coming. I do not really think the school system will need this supplemental capital funding – because I believe the Bray revenue will exceed the pro forma, and the build-out rate will be much slower than the worst-case projections; however, in the event the schools need some temporary capital help, I want the City to have sufficient uncommitted funds to serve as a backstop. Our schools are the most important asset in our city, and I know our residents would support such a commitment. Because some of us may no longer be sitting in these chairs when the school has this need, I want this statement to serve as a marker for future councils that we will plan for and support future capital needs of our schools caused by this development.

SCHOOLS' FIDUCIARY RESPONSIBILITY

I want to make clear that the school system has primary responsibility to provide school facilities. This school need was anticipated even before the Bray was conceived. The need for a new elementary school was not a surprise to our school system. The pro forma I have seen shows that, with a reasonable rate of build-out at 84 units/year, the school system should have sufficient surplus funds in reserve to cover the expense of building the new school at the time it is needed.

THE SCHOOL SYSTEM MUST DO ITS PART

Finally, I want to make one thing very clear and I have already expressed this to the school board members and superintendent: I expect the school board to set aside new school money from this development to pay for the new Liberty Park elementary school, and not for other purposes, until the new school is established and supporting itself. When the Bray starts producing new revenues, I understand the school system plans to set aside and use these revenues, in good faith, to pay for the new school and costs associated with the new school. If the school system properly performs its fiduciary duty to place this new revenue source in reserve for the new elementary school, then I would be inclined to support the city covering temporary short-falls in the future. We have a yardstick, and the city will use it to track our school system's progress toward saving for a new school.

SUMMARY

In closing, I want to be very clear that **our projections show the Bray will yield adequate funds for the school system to pay -- on its own -- for a new Liberty Park elementary school – a school the system predicts will likely be needed regardless of whether we approve the Bray plan tonight.** However, if we approve this development, the city must be prepared to serve as a backstop for short-term capital deficits if there is a short-term need. It is important to note that I expect the school to do its part – to consciously and deliberately save Bray revenues to pay for the new school when it is needed.

I would like to request that these comments be included, verbatim, in the record of this meeting.