

SWEETWATER

UNION HIGH SCHOOL DISTRICT

Thursday, November 12, 2015
Special Board Meeting - 5:00 PM
Administration Center - Board Room
1130 Fifth Avenue, Chula Vista, CA

Overview of Community Facilities District Funding & Formation

Staff:

Moisés G. Aguirre – Asst. Superintendent, Business Services

Karen Michel - Chief Financial Officer

Jennifer Carbuccia - General Counsel

Paul Woods - Director of Planning and Construction

Roxanna Travers - Facilities Budget Analyst

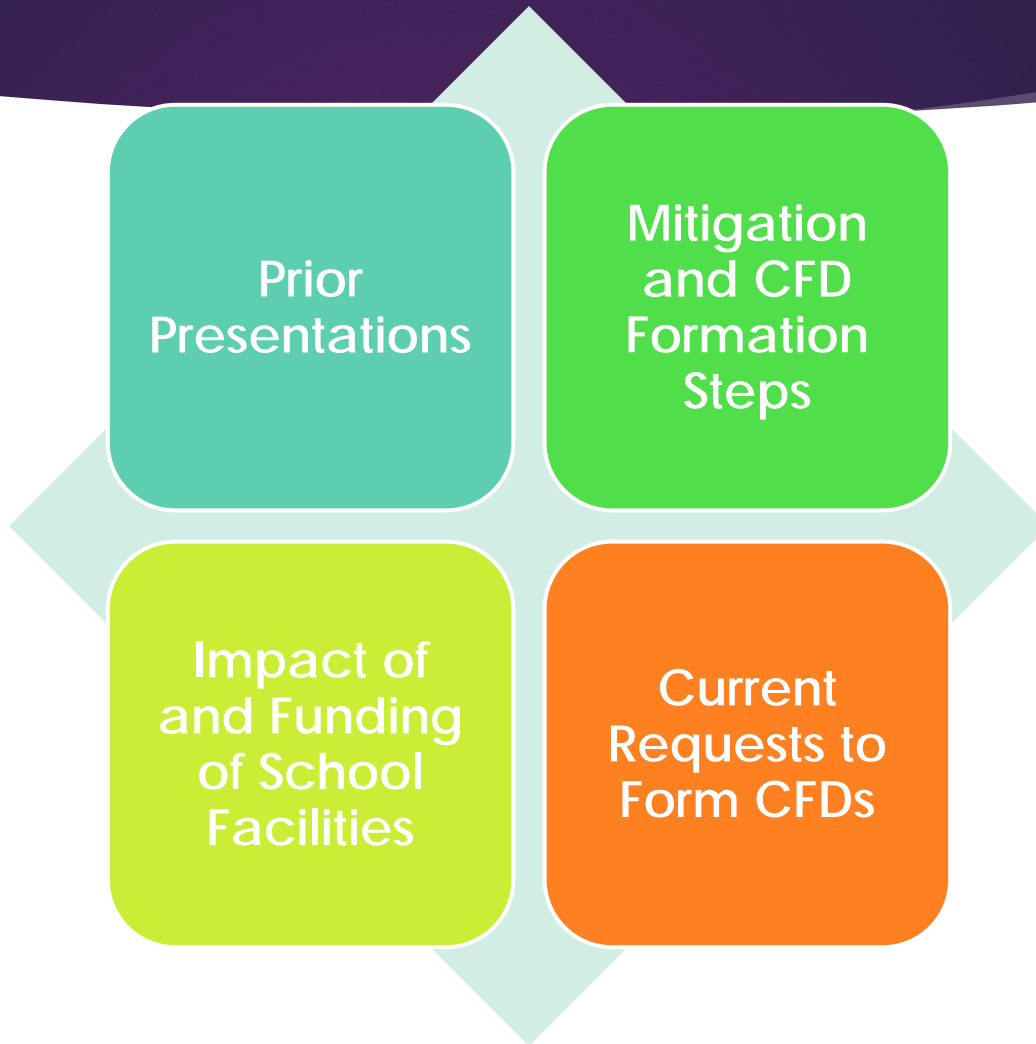
Carolina Zimmermann - Sr. Executive Assistant

Consultants:

Alexander Bowie – Bowie, Arneson, Wiles & Giannone

Barbara Hale-Carter – Special District Financing & Administration

Presentation Overview



Prior Presentations & Reports: What is a Mello-Roos Community Facilities District? (February 2015)

- ▶ History of CFD Legislation.
- ▶ What a CFD can Fund.
- ▶ What is the Basis of the Special Tax.
- ▶ How the Special Tax is Collected.
- ▶ Statewide use of CFDs.
- ▶ SUHSD CFDs used to Fund only Capital Facilities.
- ▶ Homeowners Notification of a CFD.
- ▶ Current SUHSD Dwelling Unit Count by CFD.
- ▶ Map of Existing SUHSD CFDs.

Prior Presentations & Reports: Revenue and Expenditure Review (February 2015)

- ▶ Third Party Comprehensive Review of SUHSD CFD Revenue, Expenditure and Debt Issuance Practices from 1986/87 through 2013/14 was finalized and the findings presented:
 - Annual Administration and School Facilities Expenditures found permissible and appropriate.
 - Special Tax Revenues fully and accurately apportioned.
 - Prepayment calculated and collected accurately.
 - Special Taxes accurately calculated and applied to 99.98% of the parcels (8 parcels reviewed and updated).
 - Timely and accurate payment of Debt Service.
 - CFD Debt Issuance and Refinancing and SUHSD Policies Found to be Without Issue and Comprehensive.
 - The Cost Allocation Plan was analyzed and found mathematically Sound, Fair and Equitable.
- ▶ Updates to Board: June 26, 2015; July 24, 2015; August 24, 2015 (Presentation); October 9, 2015.
- ▶ Monthly Updates to Board of the CFD Transaction Review are scheduled through completion.

Prior Presentations & Reports: Setting of the CFD Annual Special Tax Rates (July 2015)

- ▶ Information Provided on:
 - ▶ Impact of Development in the CFDs on School Facilities Needs of the SUHSD.
 - ▶ Current and Future Facilities Funding Obligations of the CFDs.
 - ▶ Impact of the Escalator on CFD Revenue.
 - ▶ Process of Determining and Establishing Special Tax Rates for CFDs of SUHSD.

History of School Facilities Legislation from 1986 to 1998 and the Funding of School Facilities

Mitigation Agreements and CFDs for School Districts from 1986 to 1998 were established under the following School Facilities Legislation:

- ▶ **1986 School Facilities Legislation.**
 - ▶ **State Funding for 100%** of the cost of new School Facilities. (State not able – Did not fund 100%)
 - ▶ **Cities and Counties could require new development to fund school facilities** when seeking legislative approvals (i.e., General Plan Amendments, Zoning, Annexations, etc.) - Mira/Hart/Murrieta judicial decisions.

Current School Facilities Legislation Enacted in 1998 (Senate Bill 50) and the Funding of School Facilities

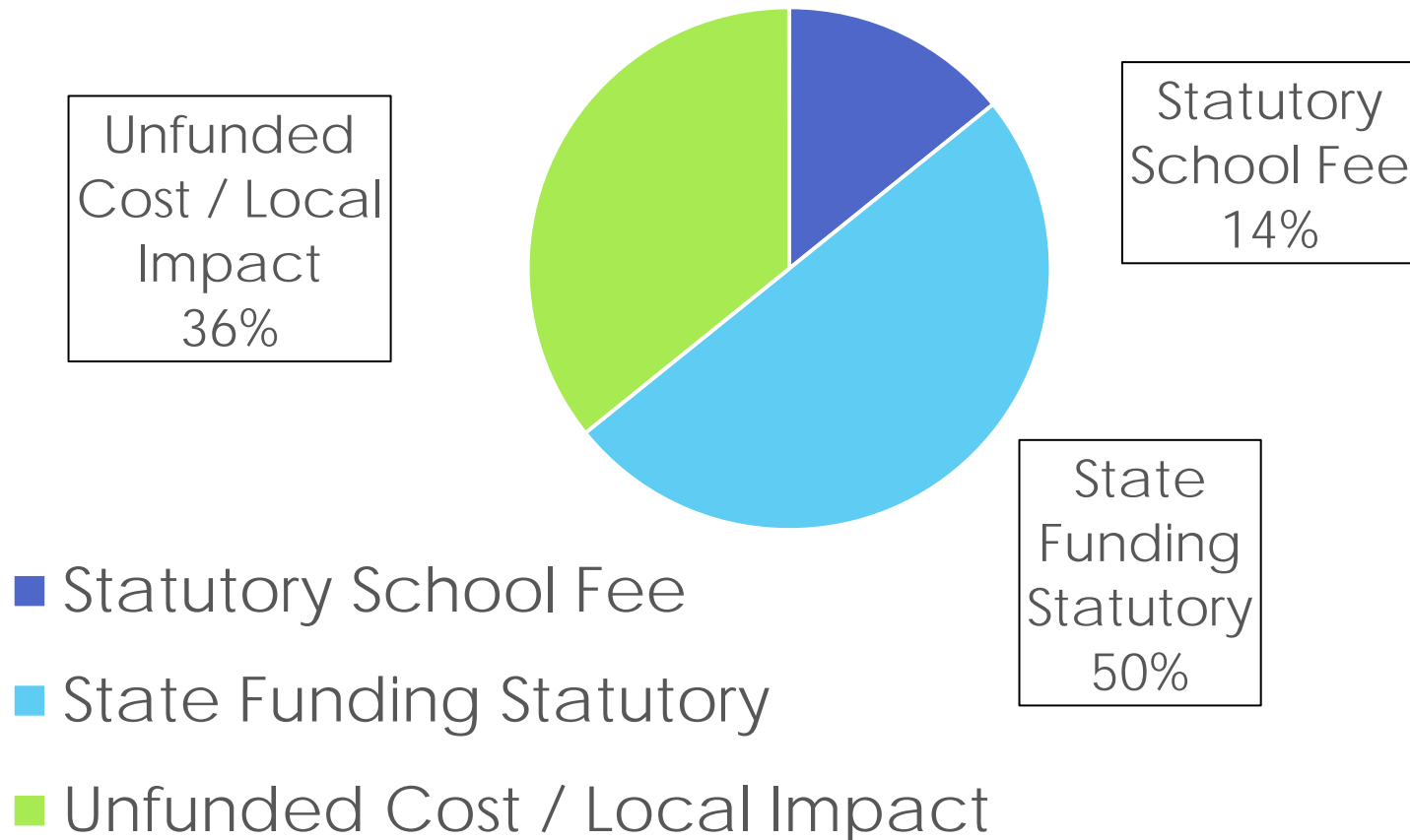
- ▶ **1998 Legislation**, Senate Bill 50 (“**SB-50**”) repealed the Mira/Hart/Murrieta judicial decisions, implemented the 1998 Legislation and established the current State Funding Program (**Local Match Required – 50%**).
- ▶ **Precludes Cities and Counties** from requiring new developments to fund schools facilities in an amount greater than school fees during the approval process.
- ▶ **Statutorily described State Funding** as 50% of new school facilities costs from State Bond proceeds, if existing.

Current School Facilities Legislation Enacted in 1998 (Senate Bill 50) and the Status of State Funds

Funding by the State of 50% of new school facility costs does not exist as no remaining State Bonds authorized for issuance.

- ▶ The State Funding Status Deficit for **New School Construction** Projects is currently estimated as:
 - ▶ **\$1.0 Billion** SAB-Approved on the **Unfunded List**.
 - ▶ **\$0.3 Billion** have filed for Funding, but have not been processed (**Acknowledged List**).
 - ▶ **\$3.0 Billion** of possible 2016 Bond Funding, **if 2016 Election** passes.
 - ▶ **If the 2016 Election** passes, Funds are estimated to last until **2019**.

2014 Per Dwelling Unit Impact Assuming 50% State Funding for New Construction



The Process

Negotiate

Mitigation Agreement

CFD Formation

CFD Special Taxes and Bond Debt

Funding of School Facilities

Mitigation Agreements

Mitigation Agreements entered into between the School District and the Developer mitigate the impact of new development on school facilities in an amount greater than school fees.

Contain:

The Amount to be Funded

Notice to Homebuyers

Timing of Bond Sale(s)

Acquisition of School Sites

Developer Deposits

Facilities Funded

Credit Considerations

Future Project Changes

Assignment Agreements

Community Facilities District Formation

The formation of the CFD follows the approval by the Board of the Mitigation Agreement, including CFD Provisions.

Steps to Formation:



CFD Special Taxes and Bond Debt

CFD Special Taxes and Bond Debt:

- ▶ **SUHSD CFDs have funded only school facilities and improvements.** SUHSD has not created CFDs jointly with other public agencies to fund other public facilities.
- ▶ **SUHSD bonds have been issued only against the revenue from Developed Dwelling Units.** No anticipation of a levy of a Special Tax on Undeveloped Property has been made.
- ▶ **To date, each of the CFD's Special Tax Rates increase 2% annually after the dwelling unit is constructed.**

Funding of School Facilities

Mitigation Agreement and Formation Documents detail:

Timing of Bond Sale(s)

Facilities Funded

Notice to Homebuyers

Acquisition of School Sites

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Assignment Agreements

The Statute Prescribes:

School Facilities to accommodate the impact from students. Mitigation Agreements in many instances provide for CFD Funds to be used to provide School Facilities to accommodate Students from the Project described in the Mitigation Agreement.

Why Do Developers Enter into Mitigation Agreements & Form CFDs?

- ▶ Planned Communities (large projects) and Stand-Alone Projects (single tract projects):
 - ▶ Need a plan for the availability of school facilities to sell lots to homebuilders and homes to homebuyers.
 - ▶ Seek to pass on the school facility cost to the homebuyer, to be paid for through the levy of CFD Special Taxes.
 - ▶ Cost savings, if passed onto homebuyer, can lower home price and allow more buyers to qualify for home purchases.

Determining the Impact that can be Funded through a CFD

Factors that influence what can be funded involve the interplay of home prices, the cost of school facilities, and their sources of funding.



Not likely for a CFD to fund 100% of the impact on School Facilities from New Development without State Funding.

Why do School Districts Enter into Mitigation Agreements & Form CFDs?

Mitigation Agreements and CFDs can:

- ▶ Increase funding of School Facilities versus Statutory School Fees.
- ▶ Possibly provide for earlier funding of construction at current costs, minimize interim housing costs and provide Local Match to qualify for State Funding (when available).
- ▶ Lessen the impact on the District School Facilities Costs from New Development.
- ▶ Solidify School Site acquisition and price, when applicable.

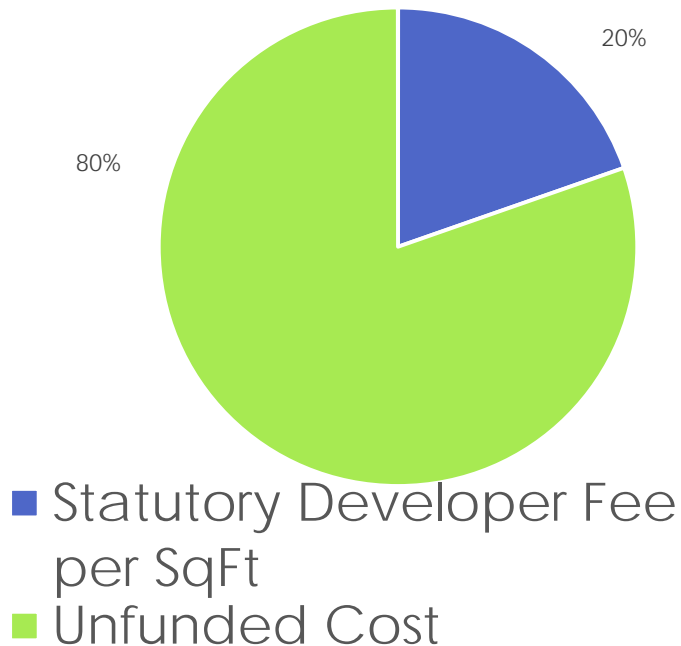
How have School Facilities Been Funded?

Funding Sources for School Facilities Needed from the Impact of New Development:

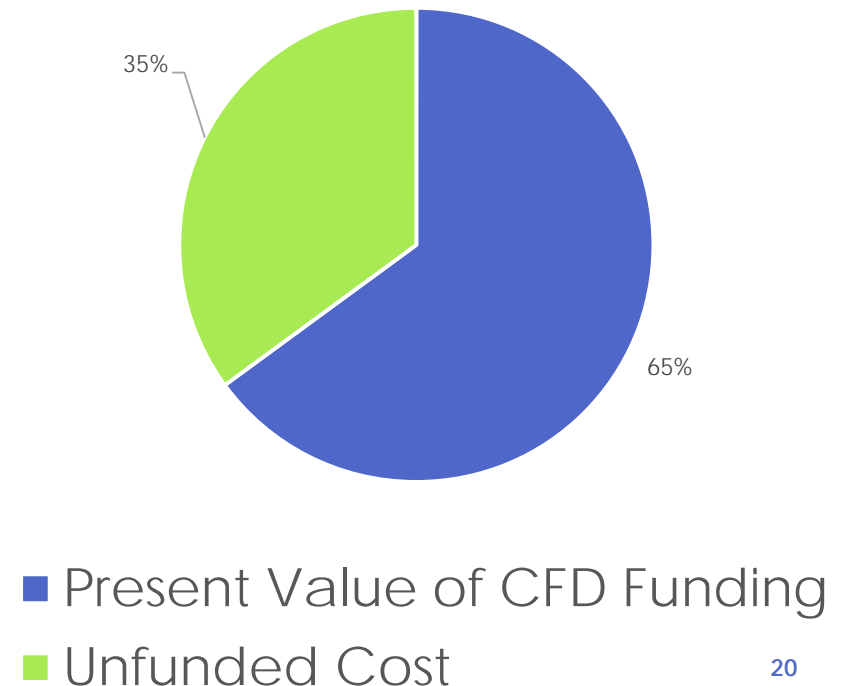
- ▶ Statutory and/or Alternative School Fees.
- ▶ Community Facilities Districts.
- ▶ General Obligation Bonds.
- ▶ State Funding (when available).

Example of School Facilities Funding 2015 for CFD No. 18

Funding with **Statutory School Fee** per Average Size Dwelling Unit Built in 2014

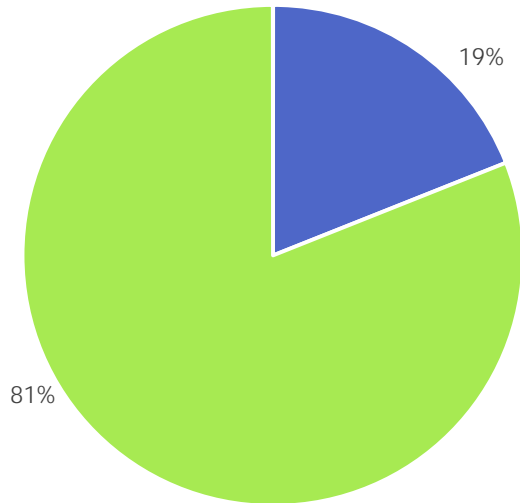


Funding with **Special Tax Revenue** per Average Size Dwelling Unit Built in 2014



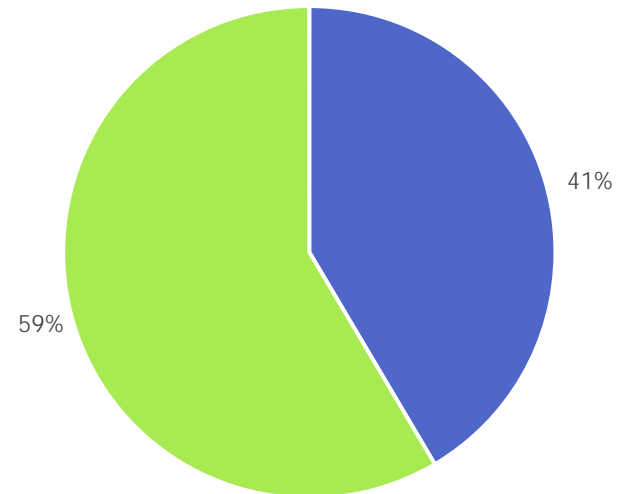
Example of School Facilities Funding 2015 for CFD No. 1

Funding with **Statutory School Fee** per Average Size Dwelling Unit Built in 2014



- Statutory Developer Fee
- Unfunded Cost

Funding with **Special Tax Revenue** per Average Size Dwelling Unit Built in 2014



- Present Value of CFD Funding
- Unfunded Cost

Impacts of CFDs on School Districts?

- ▶ **Annual Administration.** The School District may fund reasonable administrative fees. Administration includes the following:
 - ▶ **Property Owner Education and Communication.**
 - ▶ **Bond Covenants.** Once debt is issued, the School District is required to comply with several covenants.
 - ▶ Annual disclosure.
 - ▶ Arbitrage rebate calculations.
 - ▶ Delinquency monitoring and possible required actions.
 - ▶ **Fund Accounting.**
 - ▶ The integration of the CFD revenue and expenses, including bond financings debt service requirements, with the standard accounting records of the District.
 - ▶ Annual audits.

The Potential for Future CFDs within SUHSD

According to the San Diego Association of Governments ("SANDAG") estimates released in August of 2015:

Dwelling Units by Grade

Date	Serving 9-12	Serving 7-8
1/1/2014	143,056	134,190
1/1/2020	155,262	143,551
1/1/2035	183,301	162,760
1/1/2050	198,724	175,949

Increased Dwelling Units

Date	Serving 9-12	Serving 7-8
BY 2020	12,206	9,361
BY 2035	40,245	28,570
BY 2050	55,668	41,759

Projected Students to 2050

Student Generation Rate's from Fee Justification Report 2014	Grades 9-12	Grades 7-8
	SGRs	0.202
Projected Students	11,245	3,629

Projected Impact to 2050

School Costs from Fee Justification Report 2014	Grades 9-12	Grades 7-8
	Per Student Cost	\$90,029
Impact to 2050	\$1,012,376,105	\$299,352,581
Total Estimated Impact	\$1,311,728,686	

Current SUHSD Board Policies Regarding CFDs

Board Policy 7212 (Last Adopted November 2008).

CFD Goals and Policies: The policy is required to be in place per Government Code Section 53312.7 for all CFDs formed after January 1, 1994.

Board Policy 7210 (Last Adopted November 2008).

Facilities Financing: The Superintendent or his/her designee shall research funding alternatives and recommend to the Board the method that would best serve district needs as identified in the district's master plan for school facilities. These funding alternatives may include, but are not limited to:

1. Levying developer fees pursuant to Education Code 17620 and Government Code 65995-65998
2. Forming a community facilities district pursuant to Government Code 53311-53368.3, the Mello-Roos Community Facilities District Act

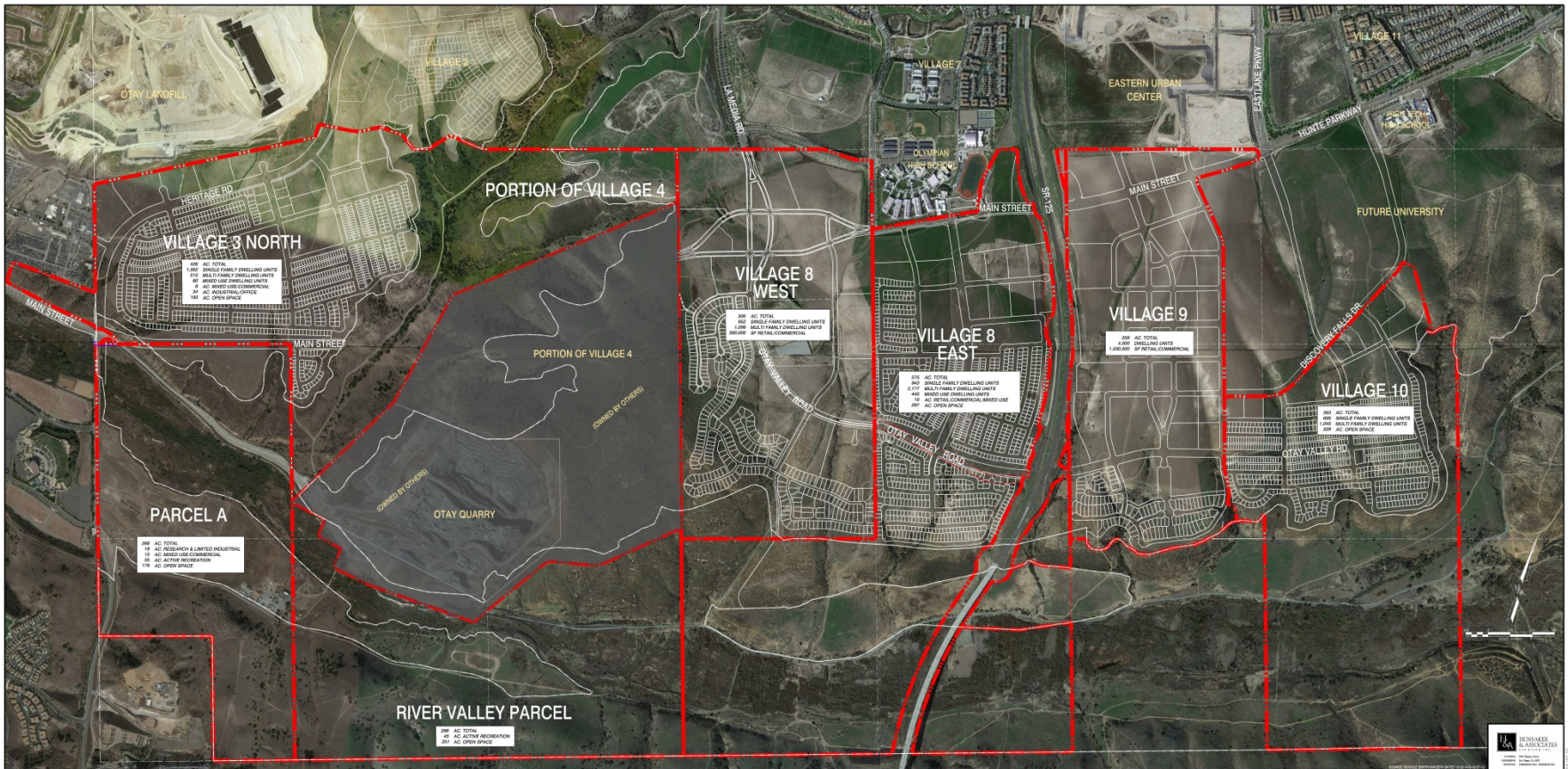
Baldwin & Sons: Planning Area 12 Site Map



Baldwin & Sons: Planning Area 12 Entitlement Changes & Projected Impact

- ▶ Approximately 80% of PA 12 is within CFD No. 1.
- ▶ Prior entitlements: Over 650,000 square feet of commercial.
- ▶ Recently approved entitlements:
 - ▶ 72 single family detached dwelling units.
 - ▶ 200 single family attached dwelling units.
 - ▶ 310 multi-family attached dwelling units (apartments).
 - ▶ 15,000 square feet of retail mixed-use commercial.
 - ▶ 200,000 square feet hotel (2 hotels; 148 and 152 rooms).
- ▶ Result of Entitlement Changes: Increased Impact to School Facilities.
 - ▶ Projection of 107 grade 7-12 students.
- ▶ Request for Amended Mitigation Agreement, Formation of CFD No. 19 and Removal from CFD No. 1.

Otay Ranch (HomeFed) Aerial



Otay Ranch (HomeFed) Residential Entitlements & Projected Impact

Residential Dwelling Units

Development Area	Single Family	Multi-Family	Total
Village 3 North	1,002	595	1,597
Village 8 West	952	1,096	2,048
Village 8 East	943	2,617	3,560
Village 9	0	4,000	4,000
Village 10	695	1,045	1,740
Total	3,592	9,353	12,945

School Facilities Need

School	Grades 7-8	Grades 9-12
Capacity	1500	2400
Percent of School	30%	115%

Students Generated

Student Generation Rates: (2011 School Facilities Needs Analysis)

Housing Type	Grades 7-8	Grades 9-12	Grades 7-12
Single Family	0.0936	0.1939	0.2875
Multi-Family Blend	0.0326	0.1015	0.1341
Projected Students	453	2,763	3,216

School Facilities Funding Need

School Costs: (2014 Fee Justification Report)

Funding Needs	Grades 7-8	Grades 9-12	Total
Cost per School	\$123,734,000	\$216,070,000	
Funding Need	\$37,367,668	\$248,750,588	\$286,118,256

What is a CFD?

CFDs are a Statutory Mechanism Enacted in 1982 to Provide for Additional Development to Assist in Funding School Facilities and Other Public Facilities Required By New Development.

A CFD allows New Development to fund a negotiated contractual share of the cost impact to the extent that the CFD Special Taxes and bonds issued can fund. The consideration may include certainty of availability of schools, indexed increases in school fee amounts, location of school sites and tax exempt funding of such costs. The CFD mechanism assists in timely providing school sites and facilities, minimizing interim housing and impacts on the general fund, general obligation bond funds, and State Funds.

Presentation Goals

- ▶ Provide information and expand the understanding as to what a CFD is and SUHSD policies by elaborating on:
 - ▶ Legislative History and the Current Status of the lack of State Funding for New Construction of School Facilities.
 - ▶ The key elements of a Mitigation Agreement, the relationship between the Mitigation Agreement and the CFD and the steps to form a CFD.
 - ▶ Why CFDs are formed, funding for SUHSD Facilities needs and the responsibilities they establish financially and administratively.
- ▶ Ascertain guidance on what additional information the Board may desire in order to allow the Board to direct staff to pursue negotiations regarding two current requests to form CFDs.
 - ▶ A formal request is anticipated to be presented to the Board at the December meeting.