

Sweetwater Union High School District Community Facilities Districts Setting of the Annual Special Tax Rates

Special District Financing & Administration
as Special Tax Consultant and
CFD Administrator
July 13, 2015 – Updated July 27, 2015

Background

- Beginning in 1986, the Sweetwater Union High School District has used Mello-Roos Community Facilities Districts (“CFDs”) to mitigate the impact of new development on school facilities.
- The School District currently has 18 CFDs:

CFD No. 1 (Eastlake)

CFD No. 2 (Bonita Long Canyon)

CFD No. 3 (Rancho Del Rey)

CFD No. 4 (Sunbow)

CFD No. 5 (Annexable)

CFD No. 6 (Village Development)

CFD No. 8 (Coral Gate)

CFD No. 9A (Ocean View Hills)

CFD No. 9B (Dennery Ranch)

CFD No. 10 (Annexable)

CFD No. 11 (Lomas Verde)

CFD No. 12 (Village One West)

CFD No. 13 (San Miguel Ranch)

CFD No. 14 (Village 11)

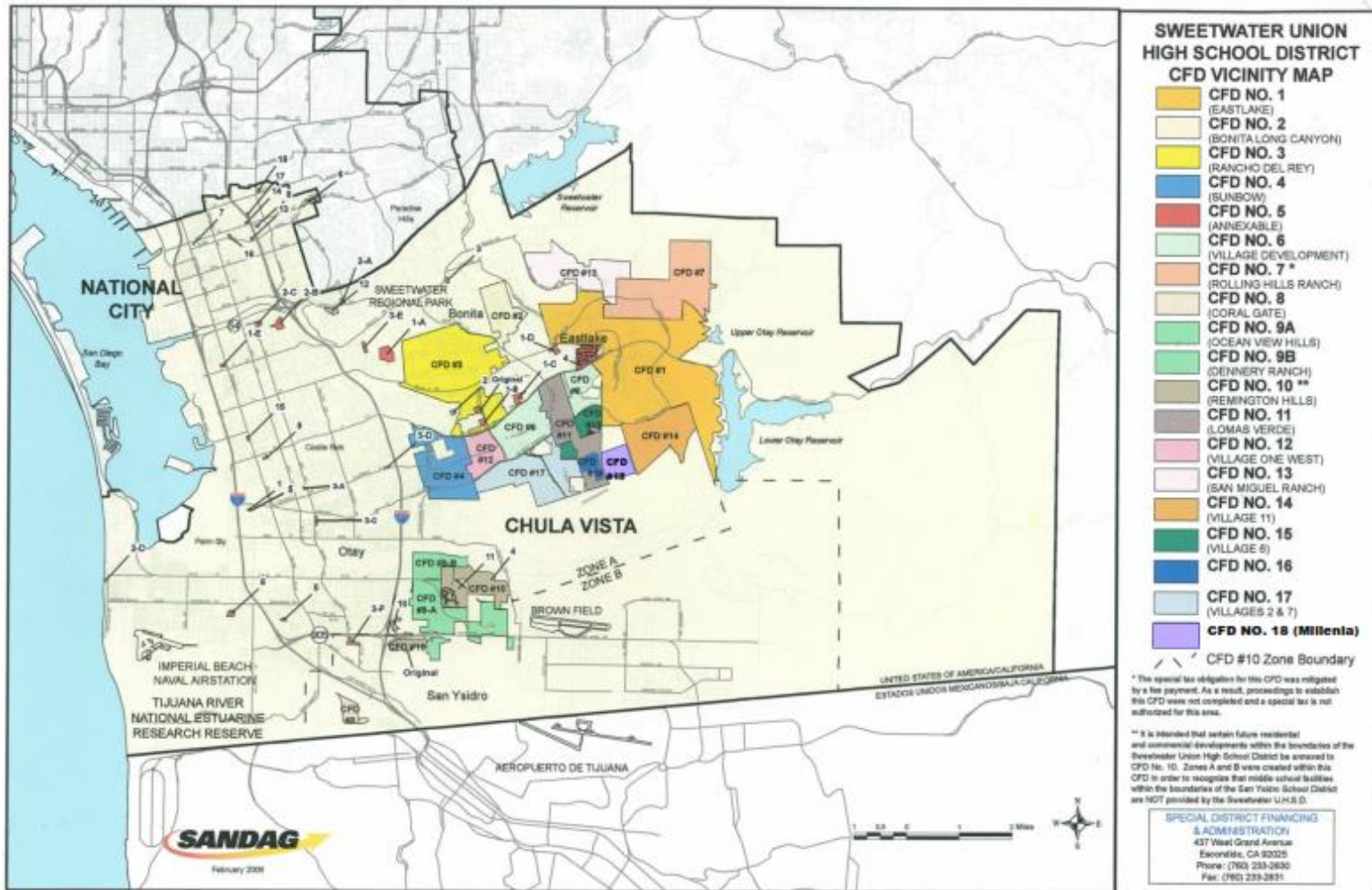
CFD No. 15 (Village 6)

CFD No. 16 (McMillin - Village 7)

CFD No. 17 (Villages 2 and 7)

CFD No. 18 (Millenia)

CFD Vicinity Map



Presentation Overview

- Purpose
- Summary of February 2015 Presentation, “What is a Mello-Roos Community Facilities District (“CFD”)?”
- Sample Property Tax Bill in Detail
- What is a Rate and Method of Apportionment (“RMA”)?
- Facilities Impact: Determination of the Overall Impact of the CFDs on School Facilities
- Facilities Revenue Received from both Debt Financing and Pay-As-You-Go
- Facilities Constructed with CFD Funding to Date
- Remaining CFD Facilities and Funding Needs
- Projected Fiscal Year 2015-2016 Revenue and Expenditures

Presentation Purpose:

- Provide information on the impact of the development in the CFDs on school facilities of the District.
- Provide information on the current and future facilities funding obligations of the CFDs.
- Provide information on the process of determining and setting the Special Tax Rates for each CFD.

Summary of “What is a Mello-Roos Community Facilities District?”

- **History:** Funding source after Californians began to ask for new growth to pay for itself.
- **Allows:** A school district to fund school facilities through the levy of special taxes.
- **Formation:** Typically a single developer forms the CFD by a vote.
- **Notification:** A homeowner signs a “Notice of Special Tax” detailing the term and purpose of the special tax and maximum annual special tax at the time of purchase.

Summary of “What is a Mello-Roos Community Facilities District?”

- **Levy:** The Special Tax is levied on a property and appears on the County of San Diego property tax bill.
- **Due:** The Special Tax is due on December 10th and April 10th along with other property taxes.
- **Term:** The Special Tax is levied in SUHSD CFDs for a period of 25 years for all CFDs except CFD No. 17 which has a term of 30 years.

Sample Property Tax Bill: CFD No. 13

San Diego County Treasurer-Tax Collector
2014-2015

FIXED CHARGED ASSESSMENTS:

ASSESSMENT	PHONE #	AMOUNT
VECTOR DISEASE CTRL	800-273-5167	\$5.88
MWD WTR STANDBY CHR	866-807-6864	\$11.50
MOSQUITO SURVEILLANC	800-273-5167	\$2.28
WATER AVAILABILITY	619-670-2712	\$10.00
CHULA V. ELEM CFD#13	619-425-9600	\$892.12
SWEETWATER HI CFD#13	619-691-5575	\$969.30
CFD 2001-1 S M RCH B	619-585-5708	\$2,671.88
CWA WTR AVAILABILITY	858-522-6900	\$10.00
TOTAL AMOUNT		\$11,060.06

Sample Property Tax Bill: CFD No. 13 (Ad Valorem Charges)

Property Value (Fiscal Year 2014-2015)		\$783,000		
	% OF VALUE	AMOUNT	SUBTOTAL	% OF TOTAL
1% Tax on NET Value	1.00%	\$7,829.99	\$7,829.99	50.95%
VOTER APPROVED BONDS:				
GEN BOND CHULA VISTA-PROP JJ 11/03/98, 2010 REF	0.00378%	\$29.60		
GEN BOND CHULA VISTA-PROP JJ 11/03/98, 2012 REF	0.00554%	\$43.38		
GEN BOND CHULA VISTA-PROP JJ 11/03/1998, 2013A REF	0.01074%	\$84.09		
Subtotal Chula Vista Elementary School District:			\$157.07	1.02%
HI BOND SWEETWATER-PROP BB 11/07/2000, SER 2000A	0.00479%	\$37.51		
HI BOND SWEETWATER-PROP BB 11/07/2000, SER 2000C	0.00950%	\$74.39		
HI BOND SWEETWATER-PROP O 11/07/2006, SERIES 2008A	0.02550%	\$199.67		
HI BOND SWEETWATER-PROP BB 11/07/2000, 2014 REF	0.01428%	\$111.81		
Subtotal Sweetwater Union High School District:			\$423.38	2.75%
SOUTHWESTERN COMM COLL-PROP AA 11/07/00, SER 2000	0.00624%	\$48.86		
SOUTHWESTERN COMM COLL-PROP AA 11/07/00, 2005B REF	0.01167%	\$91.38		
SOUTHWESTERN COMM COLL-PROP R 11/04/08 SER 2009A	0.00212%	\$16.60		
SOUTHWESTERN COMM COLL-PROP R 11/04/08 SER 2009B	0.00942%	\$73.76		
SOUTHWESTERN COMM COLL-PROP R 11/04/08 SER 2010C	0.00637%	\$49.88		
Subtotal Southwestern Community College District:			\$280.48	1.83%
OTAY WATER IMP DIST NO 27-DEBT SERVICE (WATER)	0.00500%	\$39.15	\$39.15	0.25%
MWD D/S REMAINDER OF SDCWA 15019999	0.00350%	\$27.41	\$27.41	0.18%
Total on Net Value	1.118450%	\$8,757.48	\$8,757.48	56.99%

Sample Property Tax Bill: CFD No. 13 (Fixed Charge Assessments)

Property Value (Fiscal Year 2014-2015)			\$783,000	
Property Attributes			Permit Issued June 2008; 4,625 square feet	
	% OF VALUE	AMOUNT	SUBTOTAL	% OF TOTAL
1% Tax on NET Value	1.00%	\$7,829.99	\$7,829.99	50.95%
VOTER APPROVED BONDS:			\$927.49	6.04%
Total on Net Value	1.118450%	\$8,757.48	\$8,757.48	56.99%
FIXED CHARGED ASSMTS:	PHONE #	AMOUNT	% OF TOTAL	
VECTOR DISEASE CTRL	800-273-5167	\$5.86	0.04%	
MWD WTR STANDBY CHRG	866-807-6864	\$11.50	0.07%	
MOSQUITO SURVEILLANC	800-273-5167	\$2.28	0.01%	
WATER AVAILABILITY	619-670-2712	\$10.00	0.07%	
CFD 2001-1 S M RCH B	619-585-5708	\$3,746.76	24.38%	
CWA WTR AVAILABILITY	858-522-6900	\$10.00	0.07%	
CHULA V. ELEM CFD#13	619-425-9600	\$1,341.92	8.73%	
SWEETWATER HI CFD#13	619-691-5575	\$1,481.90	9.64%	
Total Fixed Charge Assessments:		\$6,610.22	43.01%	
Total Property Tax Bill Amount Year 2014-2015		\$15,367.70	100.00%	

Rate and Method of Apportionment (“RMA”)

- An RMA is created at formation for each CFD.
- The RMA establishes the rules regarding:
 - The maximum special tax set at formation.
 - The escalation of the maximum special tax prior to development.
 - The escalation of the maximum special tax after development.
 - The categories or classifications of the special tax. (Example: per square foot, per dwelling unit type, etc...)
 - The term or length the special tax is levied.
 - The formula for calculating a prepayment of the obligation.

Overall Impact of the CFDs on School Facilities

Students Generated

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Projected Dwelling Units at Buildout (CFDs 1-18)		42,682
Student Generation Rates - December 2012		
7-8	Middle	0.0923
9-12	High	0.2131
	Weighted Average	0.2889
Projected Students		
7-8	Middle	3,940
9-12	High	9,096
	Total	13,036
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Schools Required

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Projected Students		
7-8	Middle	3,940
9-12	High	9,096
	Total	13,036
Capacity per School Type		
7-8	Middle	1,500
9-12	High	2,400
Projected Number of Schools Required		
7-8	Middle	2.63
9-12	High	3.79
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Facilities Revenue Received: Debt Financing

Issued Name	Par Amount	Construction Fund Deposit	Refunded	Outstanding Debt
STRB Series 1990	\$21,675,000	\$18,813,734	1995 Refunding STB	No
STRB Series 1992	\$6,950,000	\$5,500,000	1995 Refunding STB	No
STRRB Series 1995	\$31,365,000	\$0	COPs 2003 Refinancing	No
STRB Series 1997	\$19,250,000	\$16,699,375	COPs 2005 Refinancing	No
COPs 2001	\$42,875,000	\$41,754,225	2013 Refunding RB	No
COPs 2002	\$55,940,000	\$55,441,903	2013 Refunding RB	No
COPs 2003	\$23,700,000	\$0	Paid Off September 2013	No
STRB Series 2005A	\$66,385,000	\$69,507,497		Yes
STRB Series 2005B	\$15,180,000	\$13,680,877		Yes
COPs 2005 Refinancing	\$18,330,000	\$0		Yes
Series 2013 Ref RB	\$72,140,000	\$0		Yes
Total Facilities Funding through Debt Financing:		\$221,397,611		

Facilities Revenue Received: Pay-As-You-Go Funds

- Pay-As-You-Go Funds are amounts available to pay directly for facilities from special tax receipts after the payment of debt service and administration fees.
- Total Pay-As-You-Go Funds expended, as identified as an estimate in the Community Facilities District Revenue & Expenditure Review dated January 30, 2015, was \$44,653,236.
- The expenditure of Pay-As-You-Go Funds are still under review. These funds are often used prior to debt issue for site evaluation costs, state and appraisal fees, site purchase, or school design and after bond funds have been expended on close-out items.
- The current balance of Pay-As-You-Funds as of May 31, 2015, is \$105,344,633.65. Less Debt Service Requirements on September 1, 2015, results in an available balance of \$94,042,566.

Facilities Constructed / Under Construction

Description	Estimated Total CFD Debt Financing Expenditures	Estimated Total CFD Pay-As-You-Go Financing Expenditures	Unspent Budgeted Funding per the Capital Facilities Funding Plan (06/22/2015) up to Total Available Funds	Total Facilities Funded by CFDs
Original Construction Fund Deposit for Debt Financing / Estimated Pay-As-You-Go Funding	\$221,397,611	\$138,695,802		
Interest Earned	\$10,569,591	Included in Current Balance		
Disbursement Summary				
Eastlake High School	\$24,670,413	\$5,564,575	\$2,361,724	\$32,596,712
Rancho Del Rey Middle School	\$17,278,302	\$3,454,369	\$224,512	\$20,957,183
Otay Ranch High School	\$35,124,550	\$7,922,576	\$3,648	\$43,050,774
San Ysidro High School	\$23,219,177	\$5,237,239		\$28,456,416
Eastlake Middle School	\$13,200,717	\$2,639,156	\$224,512	\$16,064,385
Olympian High School	\$68,878,990	\$15,536,113	\$263,325	\$84,678,428
Middle School#12 (not built yet)	\$13,465,633	\$2,692,120	\$97,582,064	\$117,307,927
High School#14 (not built yet)	\$2,911,420	\$656,690		
East Hills Academy	\$4,213,564	\$950,397	\$19,339	\$5,183,300
Lease Payment Fund (Debt Service)	\$19,320,914	\$0		\$19,320,914
Rehabilitation - Various Sites	\$0	\$0	\$3,046,966	\$3,046,966
Total Disbursements	\$222,283,680	\$44,653,235	\$103,726,090	\$370,663,005
Net Difference:				
Current Balances 5/31/15	\$9,683,523	\$94,042,567	(\$103,726,090)	(\$0)

Capacity Created with CFD Funding to Date

Description	Total Facilities Funded by CFDs	Estimate of Total Facilities Cost by School	Percent of Total Project Funded by CFDs	Capacity per School Site Using State Loading Factors	Capacity Created from CFD Funding
Disbursement Summary					
Eastlake High School	\$32,596,712	\$42,441,424	76.80%	2,472	1,899
Rancho Del Rey Middle School	\$20,957,183	\$27,362,649	76.59%	1,898	1,454
Otay Ranch High School	\$43,050,774	\$62,874,666	68.47%	2,406	1,647
San Ysidro High School	\$28,456,416	\$141,726,891	20.08%	2,700	542
Eastlake Middle School	\$16,064,385	\$30,606,528	52.49%	1,691	888
Olympian High School	\$84,678,428	\$125,031,446	67.73%	2,243	1,519
Middle School#12 (not built yet)	\$117,307,927	\$180,000,000	65.17%	1,000	652
High School#14 (not built yet)				2,000	1,303
East Hills Academy	\$5,183,300	\$6,583,964	78.73%	144	113
Total Disbursements: \$348,295,125		\$616,627,568		Total Capacity:	10,017
Capacity Created from CFD Funding by School Level:				Middle	2,993
				High	7,024

Remaining CFD Facilities Needs

		Students/Seats	Percentage
Facilities Needs / Projected Students to Buildout:			
7-8	Middle	3,940	100.00%
9-12	High	9,096	100.00%
Total		13,036	100.00%
CFD Funded Capacity to Date:			
7-8	Middle	2,993	75.96%
9-12	High	7,024	77.22%
Total		10,017	76.84%
CFD Outstanding Facilities Needs:			
7-8	Middle	1,022	24.04%
9-12	High	2,261	22.78%
Total		3,283	23.16%
CFD Current Development Status:			
Total Projected Dwelling Units at Buildout:			42,682
Projected Developed Dwelling Units to July 1, 2015			37,735
Percentage Developed			88.41%

Future CFD Facilities Funding Needs

CFD Future Facilities Needs:

	7-8 Middle	9-12 High	Total
Students	947	2,072	3,019
Cost per Student*	\$82,489	\$90,029	\$172,518
Funding Needs	\$78,117,083	\$186,540,088	\$264,657,171

* Source: 2014 Fee Justification Report, Dated June 4, 2014.

Setting Special Tax Rates by Resolution

- County Requirements:
 - The County of San Diego requires a Resolution be adopted annually to allow for the application of the special taxes onto the property tax bill.
 - The deadline for application and resubmittal of any rejected charge is August 10th.
- Resolution Purposes:
 - Establishes the maximum special tax rate for properties in which the first or initial year of taxation is fiscal year 2015-2016, and for existing developed properties which were taxed in previous years.
 - Establishes the actual tax rates to be levied in fiscal year 2015-2016 for each CFD.

Maximum Special Tax Rates

- Pursuant to the provisions of each RMA the base special tax rate, as shown in the RMA, increases annually by the greater of the Building Cost Index or 2%.
- The resulting base maximum special tax rate is set as the maximum special tax for properties which are being levied for the first time as developed property.
- After the initial year of taxation, each taxable property within the CFDs are subject to an annual increase of 2% as set forth in each RMA.

RMA Sample: Base Maximum Special Tax Rate – CFD 11

III. ANNUAL MAXIMUM SPECIAL TAX:

A. Developed Property

The Annual Maximum Special Tax for any Assessor's Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1997/98 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

Land Use Category	Land Use Designation	Annual Maximum Special Tax (1997/98)
1	Residential Dwelling Unit	\$.2915 multiplied by House Square Footage*
2	Age-Restricted Unit	\$.0490 multiplied by House Square Footage*

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property in its Initial Fiscal Year the Annual Maximum Special Tax for each Land Use Category in Table 1 shall be increased in the 1998/99 Fiscal Year, and each Fiscal Year thereafter, by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

* House Square Footage is defined in the RMA as the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age-Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

Special Tax Indexing Sample – CFD 11

Building Cost Index - City of Los Angeles (Engineering News-Record, June)

<u>Year</u>	<u>Index</u>	<u>Pct Change</u>	<u>Escalator Used</u>	<u>Base Rate</u>	<u>Initial Year 97-98</u>	<u>Initial Year 98-99</u>	<u>Initial Year 99-00</u>	<u>Initial Year 00-01</u>	<u>Initial Year 01-02</u>
1996-97	3,413.13								
1997-98	3,490.32	2.30%	2.30%	\$0.2915	\$0.2915				
1998-99	3,587.95	2.80%	2.80%	\$0.2997	\$0.2973	\$0.2997			
1999-00	3,588.52	0.00%	2.00%	\$0.3057	\$0.3033	\$0.3057	\$0.3057		
2000-01	3,668.10	2.20%	2.20%	\$0.3124	\$0.3093	\$0.3118	\$0.3118	\$0.3124	
2001-02	3,714.48	1.30%	2.00%	\$0.3186	\$0.3155	\$0.3180	\$0.3180	\$0.3186	\$0.3186

Example Levy Charge at Maximum Special Tax in Fiscal Year 2001-2002

Home Square Footage:	2,500	\$788.82	\$795.01	\$795.01	\$796.57	\$796.57
Home Square Footage:	3,500	\$1,104.35	\$1,113.01	\$1,113.01	\$1,115.20	\$1,115.20
Home Square Footage:	4,500	\$1,419.88	\$1,431.02	\$1,431.02	\$1,433.82	\$1,433.82

Historical Actual Special Tax Rates

- From 1987 to 2012 the Board set the actual special tax rates in all CFDs equal to the maximum special tax rates, as described.
- In 2013, for the fiscal year 2013-2014 levy, the Board established the maximum special tax rates for all CFDs as described, but set the actual special tax rate for all CFDs at approximately 2% less than the maximum.
- In 2014, for the fiscal year 2014-2015 levy, the Board again established the maximum special tax rates for all CFDs as described. The Board increased the actual special tax rates by 2% resulting in the actual special tax rate for all CFDs to be levied again at approximately 2% less than the maximum.

Projected Fiscal Year 2015-16 Levied Dwelling Units

Community Facilities District	Fiscal Year 2014-15		Projected Fiscal Year 2015-16		Difference in Levied Dwelling Units FY 2014-15 to FY 2015-16			
	Taxable Parcels	Taxable DUs	Taxable Parcels	Taxable DUs	Difference in DUs	Term Ended	Prepaid	New DUs
CFD 1 - Eastlake	7,175	7,393	7,113	7,000	(393)	(55)	(427)	89
CFD 2 - Bonita Long Canyon	120	120	67	67	(53)	(53)	0	0
CFD 3 - Rancho Del Rey	3,395	3,858	3,092	3,066	(792)	(792)	0	0
CFD 4 - Sunbow	1,497	1,991	1,353	1,506	(485)	(485)	0	0
CFD 5 - Annexable	914	963	848	870	(93)	(93)	0	0
CFD 6 - Village Development	3,062	4,022	3,060	3,749	(273)	0	(273)	0
CFD 8 - Coral Gate	499	499	499	499	0	0	0	0
CFD 9A - Ocean View Hills	1,643	2,285	1,641	1,641	(644)	0	(644)	0
CFD 9B - Dennery Ranch	487		487		0	0	0	0
CFD 10 - Annexable	2,144	2,224	2,144	2,224	0	0	0	0
CFD 11 - Lomas Verde	1,782	2,220	1,782	2,220	0	0	0	0
CFD 12 - Village One West	909	909	909	909	0	0	0	0
CFD 13 - San Miguel Ranch	1,312	1,312	1,312	1,312	0	0	0	0
CFD 14 - Village 11	2,008	2,008	2,008	2,008	0	0	0	0
CFD 15 - Village 6	1,332	1,429	1,333	1,537	108	0	0	108
CFD 16 - McMillin Village 7	759	759	759	759	0	0	0	0
CFD 17 - Villages 2 and 7	925	1,019	1,107	1,480	461	0	0	461
CFD 18 - Millenia	0	0	0	0	0	0	0	0
Total	29,963	33,011	29,514	30,847	(2,164)	(1,478)	(1,344)	658

Dwelling Units at Term End

- To date 3,571 Dwelling Units have paid the full term of the special tax.
- Dwelling units by development that have been levied the special tax for the full term within CFD No. 1 are as follows:

CFD No. 1; Eastlake – Hills and Shores	Dwelling Units
Camelot	422
Villas – Martinique	232
Classics	194
Cottages	93
Shores	154
Villas @ Eastlake	112
Vineyards I and II	445
Almira	160
Total to End Levy by FY 2015-16	1,812

Projected Fiscal Year 2015-16 Special Tax Revenue

- Amount Levied Fiscal Year 2014-15

at 98.04% of the Maximum: \$24,873,732

- Amount Projected to be Levied Fiscal Year 2015-16:

	No increase:	2% Increase:	Max Tax:
Projected Levy	\$24,038,667	\$24,583,940	\$25,140,043

- Difference to FY 2014-15 Levy:

(Decrease)/Increase: (\$835,066) (\$289,793) \$266,310

Estimated Fiscal Year 2015-16 CFD Revenue & Expenditures

	Estimated Revenue and Expenditures (No Escalation)	Estimated Revenue and Expenditures (2% Escalation)	Difference
Revenue:			
Estimated Levy Amount FY 2015-16	\$24,038,667	\$24,583,940	\$545,273
Expenses:			
Debt Service Payments 2016	\$14,457,984	\$14,457,984	\$0
Projected CFD Administration	<u>\$325,000</u>	<u>\$325,000</u>	<u>\$0</u>
Subtotal Expenses	\$14,782,984	\$14,782,984	\$0
Net Difference:	<u>\$9,255,683</u>	<u>\$9,800,956</u>	<u>\$545,273</u>

CFD 11 Levy Sample for Fiscal Year 2015-16

	Maximum Special Tax Equals Actual	Actual at 2% less than Maximum Special Tax	Difference
Home Square Footage:	3,434	3,434	
Initial Levy Year	2001-2002	2001-2002	
Maximum Special Tax per Square Foot	\$0.4204	\$0.4204	
Maximum Special Tax	\$1,443.73	\$1,443.73	\$0.00
Actual Special Tax	\$1,443.73	\$1,415.43	\$28.30
Assumed Total Assessed Value 2015-2016	\$498,000.00	\$498,000.00	
Estimated Prop BB General Obligation Bond Offset: (Preliminary \$0.2756)	(\$137.25)	(\$137.25)	
Projected Applied Special Tax FY 2015-2016:	\$1,306.48	\$1,278.18	\$28.30
Applied Special Tax Fiscal Year 2014-2015	\$1,254.81	\$1,254.81	
Difference to Fiscal Year 2014-2015 Levy	\$51.67	\$23.37	

Summary of CFD Facilities Funding

- There has been identified a future CFD funding need of over \$264 million through buildout of the CFDs.
- The CFDs are currently 88.41% developed.
- To date, the CFDs have funded an estimated \$348 million for school facilities.
- As the CFD special tax term is being reached, the projected special tax revenues are estimated to be flat or decreasing.