

**North City West  
School Facilities Financing Authority  
And the Community Facilities Districts Nos. 1, 2 & 3**

March 21, 2019

Honorable Mayor and City Council  
City of San Diego  
City Administration Building, 202 "C" Street  
San Diego, CA 92101

Re: Annual review and update of the North City West School Facilities Master Plan for  
**Fiscal Year 2018/19** (currently known as the **Carmel Valley Community Plan area**).

In accordance with the provisions of the North City West School Facilities Master Plan adopted by City of San Diego (the "City") under City Council Resolution No. R-255381 on November 17, 1981 (the "Master Plan"), an annual review by the Joint Powers Agency in consultation with the City Council is required. The annual review is to "evaluate the performance of the program, to reassess the ongoing commitments to the completion of the needed school facilities and to reevaluate the costs and deposits for the financing program" as stated in Exhibit E, page 3 of the Master Plan.

**Historical Overview:**

The Joint Powers Agency titled "North City West School Facilities Financing Authority" (the "NCWSFFA" or "JPA") came into existence on April 15, 1983 and was approved by the City Council on July 5, 1983 (City Council Resolution No. R-258883). The governing body of this unique Authority, which includes representatives of the Del Mar Union School District ("DMUSD"), Solana Beach School District ("SBSD") (both kindergarten through 6<sup>th</sup> grades) and San Dieguito Union High School District ("SDUHSD") (7<sup>th</sup> through 12<sup>th</sup> grades) (collectively the "School Districts"), held its organizational meeting on May 31, 1983.

The Master Plan created the procedures and the financial framework needed for the three JPA member school districts to provide the necessary kindergarten through twelfth grade public school facilities. The NCWSFFA was exempted from developer fee limitations (aka statutory school fees) imposed by the State legislature in 1986 by section GC65974 of the Government Code. Our official mission statement is: "The Mission of the North City West School Facilities Financing Authority is to provide school facilities, concurrent with need, to support the member School Districts' educational programs for Carmel Valley kindergarten through twelfth grade students".

In 1988, the JPA formed Community Facilities District No. 1 ("CFD 1") to supplement the funding of school facilities and authorized the sale of \$80,000,000 in municipal bonds. The new CFD 1 covered approximately 96% of the vacant residential acreage remaining in Carmel Valley and, other than State funding, would become the primary source of school funding. In 1989, \$46,265,000 of the authorized Mello-Roos Bonds were issued.

In 1995, the JPA/CFD 1 refinanced the remaining \$45,600,000 of the original Bond with Series 1995 Bonds issued to achieve: (1) an appreciably lower interest rate and (2) provide the needed construction funds sooner than they would have been available under the 1989 agreement. The balance of the \$33,735,000 Bond authorization was issued in 1997 ("Series 1997 Bonds"). There are 8,305 dwelling units in CFD No.1 as of July 1, 2018 that pay the Special Mello-Roos tax.

In 1997, the JPA formed Community Facilities District No. 2 ("CFD 2") to allow developers to annex vacant land into a CFD if a project using several parcels of land, one or more which was not in CFD 1, to permit the entire project to be marketed at similar prices. As of July 1, 2018, 52 single-family homes are in CFD 2 that pay the Special Mello-Roos tax.

On September 1, 2002, the JPA approved a Facilities Funding Agreement that identified and prioritized the remaining schools and school expansion projects needed through Carmel Valley build out. This unique document identified project cost estimates, and along with a Board Resolution approved in September 2001, identifies sources of JPA funds to be spent on the projects. These documents also formed the authorization of an additional \$21,857,921 in Subordinate Special Tax Revenue Bonds issued in September of 2002 ("Series 2002 Bonds").

In August 2005, the JPA issued an additional \$17,665,000 of additional Mello-Roos Bonds ("Series 2005A Bonds") and refunded the Series 1995B and 1997C Bonds, replacing them with Series 2005B and 2006C Bonds, issued at a substantially lower interest rate.

In June 2012, the JPA refunded a portion the Series 2002 and all of the Series 2005A Bonds, replacing them with Series 2012A Bonds, issued at a substantially lower interest rate.

On March 10, 2016, the JPA formed Community Facilities District No. 3 ("CFD 3") to allow a developer constructing an apartment complex outside the boundaries of CFD 1 and CFD 2 to pay its NCWSFFA developer fees through a one-time special tax of \$2 million. Construction of a 181-unit apartment complex was completed in 2017.

On January 10, 2017, the JPA approved the First Amendment to the Facilities Funding Agreement dated September 7, 2001 that broadened the definition of facilities that qualify as the "San Dieguito Middle School Expansion". Such facilities include the removal of temporary classrooms located at the Carmel Valley Middle School that were installed to address overcrowding at such middle school, and the construction of additional core facilities for music, drama and food service to provide for projected enrollment at such middle school and to accommodate additional students generated by in-fill projects within North City West.

On May 18, 2017, the JPA entered into a mitigation agreement with a developer regarding the construction of a commercial/residential project know as One Paseo located on 12.9 acres in the northwest portion of the JPA boundary and not within the boundaries of the existing CFDs of the JPA. The One Paseo project will develop 608 apartments.

There is currently a total **\$45,462,921** (par value) of Mello-Roos bonds issued and outstanding.

**Direct Deposit Fees:**

All taxable undeveloped acreage not included in CFD 1, CFD 2 or CFD 3 is subject to the NCWSFFA direct deposit fee schedule as outlined in the original Master Plan. On April 6, 2010, the San Diego City Council approved the current direct deposit fee schedule in effect through fiscal year 2018/19. As of February 2019, there remains approximately 90 acres of vacant residentially zoned land potentially subject to the direct fees as well as any additional commercial acreage rezoned to residential as with the One Paseo project. The NCWSFFA board has approved for submittal to the San Diego City Council a new 5-year Direct Deposit fee

schedule reflecting a 3.48% annual increase in the NCWSFFA direct deposit fee based on the 5-year average increase in the State Allocation Board in the new school construction cost index.

The current and proposed Direct deposit school fees per residence commencing FY 2018/19 are as follows:

	Approved <i>FY 2018/19</i>	Approved <i>FY 2019/20</i>
Single family	<b>\$31,477</b>	<b>\$32,572</b>
Multi family	<b>\$22,036</b>	<b>\$22,802</b>

**School facilities provided or planned for Carmel Valley students:**

To date, the School Districts have completed or planned for the following projects:

<u>NAME</u>	<u>DISTRICT</u>	<u>YEAR COMPLETED</u>
Solana Highlands Elementary School	Solana Beach	1987
Torrey Pines High School, 22 classroom expansion	San Dieguito	1988
Carmel Del Mar Elementary School	Del Mar	1992
Carmel Del Mar Elementary School, 6 classroom addition	Del Mar	1993
Carmel Creek Elementary School	Solana Beach	1994
La Costa Canyon High School (1,800 student portion)	San Dieguito	1996
Ashley Falls Elementary School	Del Mar	1998
Carmel Creek Elementary School, 12 classroom addition	Solana Beach	1998
Solana Highlands Elementary School, 14 classroom addition	Solana Beach	1999
Ashley Falls Elementary School, 10 classroom addition	Del Mar	1999
Carmel Valley Middle School	San Dieguito	1999
Sage Canyon Elementary School	Del Mar	2000
Sage Canyon Elementary School, 8 classroom addition	Del Mar	2001
Torrey Pines High School, 5 rooms of a 25-room expansion to accommodate class size reduction	San Dieguito	2001
Solana Pacific Elementary School (Neighborhood #9)	Solana Beach	2004
56 relocatable classrooms	Various	1985-2001
Ocean Air Elementary School	Del Mar	2007
Carmel Valley Middle School Expansion	San Dieguito	2018

**State Funding of Schools:**

The 1981 Resolution adopted State funding as the primary mechanism for funding North City West schools. The Districts agree to keep active applications on file with the State of California Office of Public School Construction to obtain State funding in order to assist the funding of the necessary kindergarten through twelfth grade school facilities.

**Current strategies for size and number of schools:**

Since the adoption of the School Facilities Master Plan in 1981, there have been changes in State law that have affected the facility requirements of the kindergarten through twelfth grade school facilities. The implementation of the State Class Size Reduction program in 1995 increased the minimum school size

acreage required for a 600-student elementary school to twelve acres and increased the number of classrooms in the facility. Class size reduction was subsequently implemented at the high school level, which in turn has required additional classrooms to be added at the high school.

The student population in the Carmel Valley area is tracking slightly above forecast in the Master Plan. The Master Plan projected 7,000 kindergarten through twelfth grade students at build out. The 2017/18 School District's demographic studies for Carmel Valley forecast peak enrollment of 3,590 kindergarten through sixth grade students, 1,131 seventh and eighth grade students, and 2,429 ninth through twelfth grade students at Carmel Valley residential build out for a total of 7,150 students, up slight from 7,130 total students in 2017-18.

These changing demographics, student generation factors, type and size of dwelling units, environmental regulations, special education mandates, technology, and State legislation concerning class size reduction have caused the member school districts to reevaluate the size, number and location of needed facilities.

Because of the above noted changes, both the Del Mar Union School District and the Solana Beach School District each established the need for additional elementary school facilities; and the San Dieguito Union High School District has established the need for additional facilities to accommodate student growth in grades 7 through 12.

As the result of the aging of portable classrooms installed in the school facilities constructed pursuant to the Master Plan to house students generated from the development of NCW, the School Districts are requesting that the Master Plan be updated (a) to modify the school facilities criteria to change the school classroom ratio of 60% permanent to 40% portable classrooms be amended to up to 100% permanent classrooms subject to consistency with state requirements and (b) to authorize the replacement of existing aging portable classrooms to insure that the Districts can continue to house the existing students generated from the development of NCW [and (c) provide additional classrooms to house the additional students generated from NCW in excess of the students projected in the NCW Master Plan projected to be generated from NCW.

**Fiscal Year 2019/20 Plans:**

The JPA began reimbursing member agencies for over \$20 million in approved cost overruns on completed facilities as allowed under the provisions of the First Amendment to the Facilities Funding Agreement. Over \$10 million has been paid to date and these reimbursements are expected to continue annually through 2026 at approximately \$1 million per year paid from the collection of special taxes on CFD 1 and CFD 2.

The NCW Master Plan discussion of the school facilities needed by the Districts to serve the students generated by the development of NCW provides for updating this discussion as needed:

“The Master Plan should be updated as needed. Because the amount and type of school facilities are highly dependent upon a number of social, socio-economic and economic factors, an ongoing review and analysis is important for realistic implementation of this Master Plan. City staff and the school districts will be responsible for updating and bringing to the Council's attention any needed changes.” (Page 7 of the Master Plan).

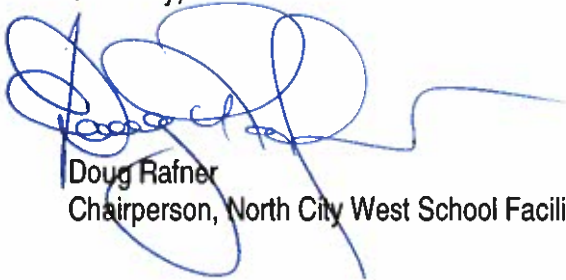
The School Districts request that in Fiscal Year 2018/19 that the school facilities requirements to serve the students generated by the development of Carmel Valley be reviewed and updated as described in the foregoing section.

**General comments:**

Residential development of Carmel Valley is near fully matured and has seen only 203 housing starts over the past five years. However, the strong growth of nearly 3,800 residential units added over the past decade is attributable in large part to the desirability of the schools and the educational programs provided by the member school districts. Although the additional students and the State class size reduction programs continue to challenge the member school districts, we continue to provide school facilities concurrent with their need. The continued cooperation among the JPA member school districts, the home developers and the City of San Diego have contributed materially to this assessment.

We look forward to continuing close cooperation with the City of San Diego.

Sincerely,



Doug Rafner  
Chairperson, North City West School Facilities Financing Authority