



309 North Rios Avenue  
Solana Beach, California  
92075

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## BOARD OF DIRECTORS

**Leslie Fausset,**

Chairperson,

Solana Beach School

District

**Eric Dill,**

Vice Chairperson, San

Dieguito Union High

School District

**Doug Rafner,**

Director,

Del Mar Union School

District

**Mark Risco,**

Executive Director and

Board Secretary

## North City West School Facilities Financing Authority Board of Directors' Meeting

March 1, 2012

309 North Rios Avenue, Solana Beach, CA 92075

2:30 p.m.

Phone: (858) 792-6937; Fax: (858) 792-8270

### Welcome...

### PUBLIC COMMENTS

With the exception of personnel items, individuals wishing to address the Board concerning an agenda item (or on other topics pertaining to JPA/CFD jurisdiction) are invited to do so at this time.

In the interest of time, **public presentations are limited to five (5) minutes per person, per topic.** If you wish to speak, please complete a card (located at the sign-in desk); and present it to the Board chairperson before commencement of the meeting. When the chairperson invites you to speak, please state your name, address and/or organization before making your presentation.

**Please note:** The law does not permit complaints and/or charges against an employee or staff member in an open Board of Directors' meeting.

In accordance with the Brown Act, there shall be no action taken for an item that has not been scheduled on a published agenda. Instead, the Board may:

- 1) Acknowledge receipt of the information,
- 2) Refer to staff for further study, or
- 3) Defer the matter to a future agenda.

We appreciate your cooperation.

### PUBLIC INSPECTION OF DOCUMENTS

In compliance with *Government Code 54957.5*, agenda related documents distributed to the Board less than 72 hours prior to meetings are available for inspection at North City West School Facilities Financing Authority executive offices located at 27368 Via Industria, Suite 110, Temecula, California.

### CLOSED SESSION

To consider timely, qualified matters of litigation, personnel, or on real estate negotiations, the Board may meet in a closed session.

### AMERICANS WITH DISABILITIES ACT

In compliance with the *Americans with Disabilities Act*, please contact the director at (858) 792-6937 by **noon**, the day before the Board meeting, to arrange reasonable accessibility for meeting participation.

Please set cellular phones and pagers to **silent mode**, and engage in conversations outside the meeting room.

# North City West School Facilities Financing Authority

## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
Doug Rafner, Director, Del Mar Union School District  
Mark Risco, Executive Director and Board Secretary

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## AGENDA

<u>Items</u>	<u>Page No.</u>
<b>1. CALL TO ORDER</b>	
A. Call to order March 1, at 2:30 p.m.	
<b>2. PLEDGE OF ALLEGIANCE</b>	
<b>3. APPROVAL OF AGENDA</b>	<b>1-2</b>
<b>4. APPROVAL OF MINUTES</b>	<b>3-6</b>
A. Regular meeting, December 13, 2011	
B. Special meeting, February 8, 2012	
<b>5. PUBLIC COMMENT</b>	
In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Board may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda.	
<b>6. FINANCIAL REPORTS</b>	<b>7-14</b>
The following reports record the routine business of the JPA/CFD for fiscal Year 2011/12. Members of the Board, the administration or the public may request that specific items be discussed prior to their acknowledgement.	
A. Executive Summary	
B. Building Permit Activity	
C. Financial Overview	
D. Income	
E. Expenditures (July 2011 through December 2011)	

# North City West School Facilities Financing Authority

## Directors:

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## 7. EXECUTIVE DIRECTOR'S REPORT

- A. Annual Audit, Management Discussion and Analysis Provided to Board
- B. Annual Board Disclosure certificates status (Completed 12/31/11)
- C. Delinquency Management Update

## 8. ACTION ITEM

15-19

- A. Review and Acknowledge the Audit Findings for the FY 2010/11 NCW JPA Annual Independent Audit
- B. Review and Acknowledge the Annual Master Plan Letter to the City
- C. Executive Director Fiscal Year 2011/2012 Budget Adjustment
- D. Selection of Underwriting Firm

## 9. DISCUSSION ITEMS

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- A. Relocatable Update
- B. Project Overruns
- C. Bond Counsel Engagement Letter
- D. Dates of Upcoming Board Meetings  
June 7, 2012

## 10. ADJOURNMENT

The next scheduled Board Meeting will be held on June 7, 2012 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA. 92075

# North City West School Facilities Financing Authority

## Directors:

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## ITEM 4A

## MINUTES

The Directors of the **North City West School Facilities Financing Authority** and Community Facilities District 1 & 2 of the North City West School Facilities Financing Authority held a **Regular Meeting** on **December 13, 2011** at Solana Beach School District Offices, 309 North Rios Avenue, Solana Beach, CA, 92075. (The letters "JPA" will be used in place of North City West School Facilities Financing Authority and the letters "CFD" will be used in place of Community Facilities Districts 1 & 2).

### PRESENT:

Directors: Leslie Fausset, Solana Beach School District  
Eric Dill, San Dieguito Union High School District  
Doug Rafner, Del Mar Union School District

### Other Personnel, Member Districts:

Caroline Brown, Solana Beach School District  
Jim Peabody, Del Mar Union School District  
Carlos Estella, Solana Beach School District  
Barbara Groth, San Dieguito Union High School District  
Ken Noah, San Dieguito Union High School District

Administration: Mark Risco, Willdan Financial Services

## **1. CALL TO ORDER, PLEDGE OF ALLEGIANCE**

The meeting was called to order at 2:30 p.m.

## **2. APPROVAL OF AGENDA**

Moved by Dill, second by Rafner to approve the agenda. Carried unanimously.

## **3. APPROVAL OF MINUTES**

Moved by Rafner, second by Dill to approve the Minutes of the September 1, 2011. Carried unanimously.

## **4. PUBLIC COMMENT**

There was no comment from the public.

## **5. FINANCIAL REPORTS**

Mark Risco provided an overview of the agenda packet.

# North City West School Facilities Financing Authority

## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
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## 6. EXECUTIVE DIRECTOR'S REPORT

Delinquencies remain low at 1%; taxes are due this week and will provide a Delinquency Report to the board at the March meeting. San Dieguito expansion funds are encumbered and have sufficient monies for this project in the upcoming fiscal year. Financially the JPA is in great shape all obligations will be met this fiscal year. The annual audit was completed and we are awaiting the final report from the auditor. The Annual Continuing Disclosure Report was filed with the Trustee in December.

## 7. ACTION ITEMS

Review and Acknowledge the Series 2005A, 2005B and 2006C Interim Arbitrage Rebate Analysis  
Review and Acknowledge the Series 2002 Interim Arbitrage Rebate Analysis

## 8. ADJOURNMENT OF MEETING

Moved by Dill, second by Rafner to adjourn the meeting at 2:37 p.m. Carried unanimously.

The next scheduled Board Meeting will be held on March 1, 2012 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA 92075.



# North City West School Facilities Financing Authority

## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
Doug Rafner, Director, Del Mar Union School District  
Mark Risco, Executive Director and Board Secretary

## ITEM 4B

## MINUTES

The Directors of the **North City West School Facilities Financing Authority** and Community Facilities District 1 & 2 of the North City West School Facilities Financing Authority held a **Special Meeting** on **February 8, 2012** at Solana Beach School District Offices, 309 North Rios Avenue, Solana Beach, CA, 92075. (The letters "JPA" will be used in place of North City West School Facilities Financing Authority and the letters "CFD" will be used in place of Community Facilities Districts 1 & 2).

### PRESENT:

Directors: Leslie Fausset, Solana Beach School District  
Eric Dill, San Dieguito Union High School District  
Doug Rafner, Del Mar Union School District

Other Personnel, Member Districts:  
Caroline Brown, Solana Beach School District  
John Addleman, Del Mar Union School District  
Barbara Groth, San Dieguito Union High School District  
Carlos Estrella, Solana Beach School District

Administration: Gladys Medina, Willdan Financial Services  
Josephine Perez-Moses, Willdan Financial Services

### **1. CALL TO ORDER, PLEDGE OF ALLEGIANCE**

The meeting was called to order at 11:31 a.m.

### **2. APPROVAL OF AGENDA**

Moved by Rafner, second by Dill to approve the agenda. Carried unanimously.

### **3. PUBLIC COMMENT**

There was no comment from the public.

### **4. DISCUSSION ITEMS**

The executive director was approached by De La Rosa and Company regarding a potential refunding of the Series 2002 and 2005A bonds, which could produce a two million dollar total cash flow savings. They also provided a Debt Service comparison showing the potential annual savings.

The last refunding was the 2005 Subordinate Special Tax Bonds.

# North City West

## School Facilities

### Financing Authority

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#### Directors:

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It was determined that the refunding team would be comprised of Bond Counsel Manatt, Phelps & Phillips; Financial Advisor Fieldman Rolapp; and Special Tax Consultant Willdan Financial Services. The following underwriting firms will be interviewed: De La Rosa & Company, Stone & Youngberg and Piper Jaffray

The interview panel will consist of the following: John Addleman or Eric Dill from San Dieguito; Carlos Estrella or Caroline Brown from Solana Beach, and Cathy Birkes or Jim Peabody from Del Mar.

This year's Executive Director budget did not take into account a possible refunding. The Executive Director budget will be adjusted to allow for the additional effort in coordinating the refunding, not to exceed \$65,000. This will be an action item at the next board meeting.

The facilities funding agreement contains a section that covers cost overruns in the event there are monies available to reimburse the school districts for any overruns from the last three projects, which were Solana Pacific, Ocean Air Elementary, and the Carmel Middle School expansion. A fund analysis must be performed to determine if any surplus funds exist. Each school district will review the agreements and criteria and submit any possible overruns.

#### 8. ADJOURNMENT OF MEETING

Moved by Dill, second by Rafner to adjourn the meeting at 11:45 a.m. Carried unanimously.

The next scheduled Board Meeting will be held on March 1, 2012 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA 92075.

# North City West School Facilities Financing Authority

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**Directors:**

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## ITEM 6A

### **SUBJECT: EXECUTIVE SUMMARY, FINANCIAL REPORTING THROUGH December 31, 2011**

#### **1. School fees/building permits for CFD No.1**

For fiscal year 2011/12, school fees for 0 homes were paid.

#### **2. Direct Master Plan school fee permits forecast:**

No direct Master Plan school fee permits have been pulled for fiscal year 2011/12.

#### **3. CFD No. 1 Special Tax Collections:**

We have received 5 of the 14 apportionments for fiscal year 2011/12. As of December 31, 2011, current year Special Tax receipts total \$1,463,140.75 (includes prior year delinquencies amount of \$67,648.48).

#### **4. CFD No. 2 Special Tax Collections:**

We have received 5 of the 14 apportionments for fiscal year 2011/12. As of December 31, 2011, current year Special Tax receipts total \$12,347.67 (includes prior year delinquencies amount of \$2,855.03).





# North City West School Facilities Financing Authority

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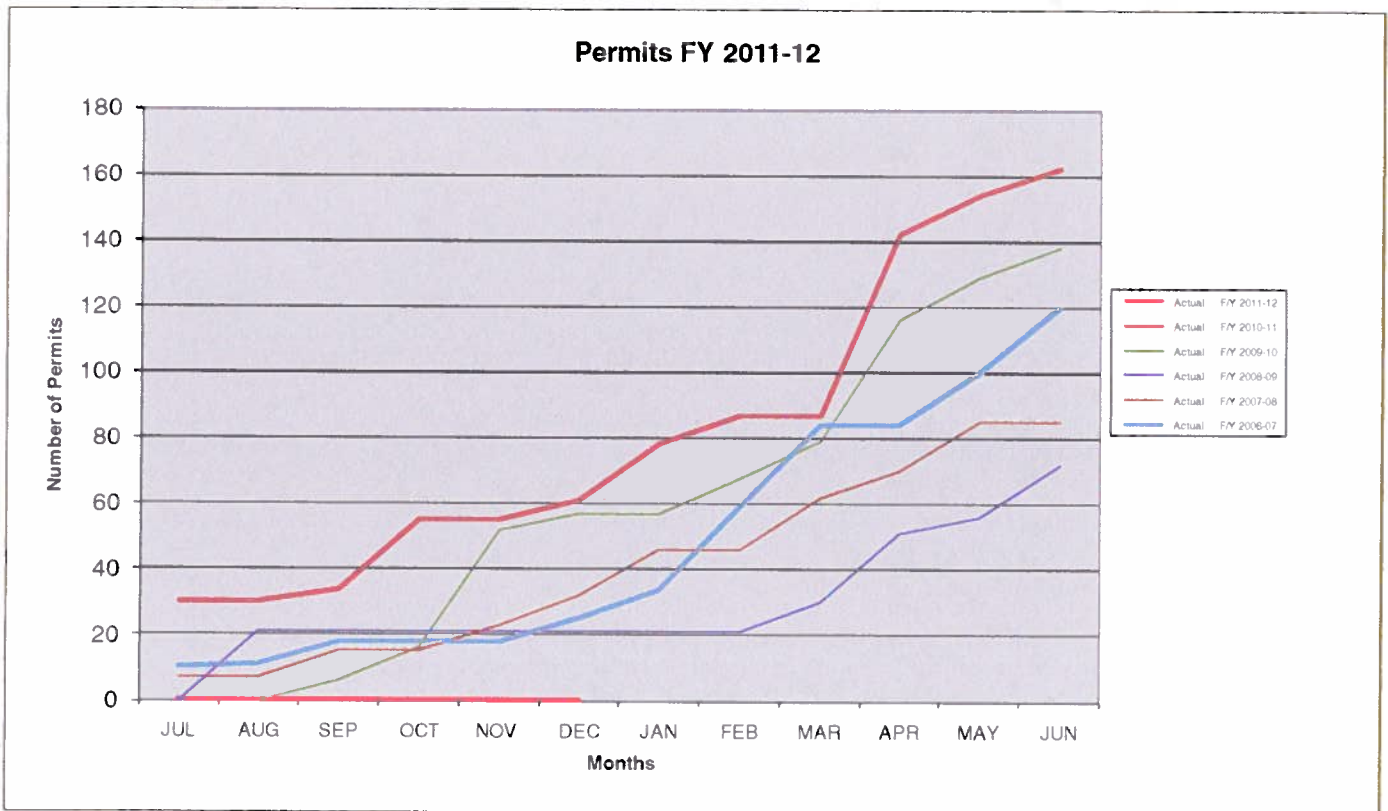
### ITEM 6B-2

#### CARMEL VALLEY RESIDENTIAL BUILDING PERMITS

#### YEAR TO DATE TOTALS

Current Fiscal Year 2011-12

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Actual: F/Y 2011-12	0	0	0	0	0	0						
Actual: F/Y 2010-11	30	30	34	55	55	61	78	87	87	142	154	162
Actual: F/Y 2009-10	0	0	6	16	52	57	57	68	79	116	129	138
Actual: F/Y 2008-09	0	21	21	21	21	21	21	21	30	51	56	72
Actual: F/Y 2007-08	7	7	15	15	23	32	46	46	62	70	85	85
Actual: F/Y 2006-07	10	11	18	18	18	25	34	59	84	84	100	120



# North City West School Facilities Financing Authority

## Directors:

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## ITEM 6C-1

### FINANCIAL OVERVIEW

The financial overview consists of three parts:

#### **ITEM 5C-1 - Summary of Current Funds Available for Future Projects**

Shows funds on deposit as of the beginning of each fiscal quarter, less current fiscal year encumbrances, resulting in the balance of unencumbered funds available for future projects

Funds held in the San Diego County Treasury (through the S.D. County Office of Education).

A. **Fund 77** (21-09): CFD No. 1 Special Tax Funds (\$2,400 and \$1,680 permit fees).

B. **Fund 78** (21-10): CFD No. 1 Special Taxes collected by County of San Diego.

C. **Fund 79** (35-00): Direct mitigation fees collected under the Master Plan.

And CFD No. 2 Special Taxes collected by the County of San Diego.

D. **Fund 83** (21-25): Del Mar Neighborhood #8A School Site Fund

E. **Fund 84** (21-25): Del Mar Neighborhood #8A School Construction Fund

Currently inactive funds: 76, 80, 81, 82

#### **ITEM 5C-2 - Financial Status of Approved Projects**

Shows the annual approved project budgets, the year to date project expenditures (by county fund or bonds), the percent of budget spent year to date, and the resulting unspent balance remaining for the fiscal year.

# North City West School Facilities Financing Authority

Directors:

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Mark Risco, Executive Director and Board Secretary

## ITEM 6C-2

### SUMMARY OF CURRENT FUNDS AVAILABLE FOR FUTURE PROJECTS

Current Fiscal Year 2011-12  
As of December 31, 2011

	Feb 28, 2011	April 30, 2011	June 30, 2011	Sept 30, 2011	Dec 31, 2011
<b>FUNDS ON DEPOSIT</b>					
Fund 76. subordinate tax fund	\$ 6,173	\$ 6,183	\$ 6,183	\$ 6,192	\$ 6,201
Fund 77. CFD #1 devel fees & check acct	\$ 1,102,649	\$ 1,196,787	\$ 1,244,787	\$ 1,246,421	\$ 1,248,213
Fund 78. less semi-annual bond payments	\$ 4,902,538	\$ 5,844,131	\$ 8,362,214	\$ 2,634,133	\$ 4,035,025
Fund 79. Master Plan fees & CFD #2	\$ 73,282	\$ 76,669	\$ 55,293	\$ 32,111	\$ 38,169
Fund 80. SBSB #6 site	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 81. La Costa Canyon	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 82. SBSB #6 construction	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 83. DMUSD #7 land	\$ 247,614	\$ 248,008	\$ 248,008	\$ 248,344	\$ 248,701
Fund 84. DMUSD #7 construction	\$ 2,510	\$ 2,514	\$ 2,514	\$ 2,517	\$ 2,521
1997C Bond Construction Fund	\$ -	\$ -	\$ -	\$ -	\$ -
2002 Subordinate Bonds (Spec. Account)	\$ 41,055	\$ 41,054	\$ 41,054	\$ 41,054	\$ 41,054
2005A & B Subordinate Bonds	\$ 7,904,433	\$ 7,905,711	\$ 7,906,480	\$ 7,907,477	\$ 7,908,462
<b>Total Funds on Deposit</b>	<b>\$ 14,280,253</b>	<b>\$ 15,321,058</b>	<b>\$ 17,866,533</b>	<b>\$ 12,118,249</b>	<b>\$ 13,528,345</b>
<b>ENCUMBRANCES</b>					
Carmel Valley Middle School Expansion	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993
La Costa Canyon High School					
Torrey Pines H.S. C.S.R. addition					
Ashley Falls School					
Ashley Falls addition					
Sage Canyon School (Neighb. #10)					
Sage Canyon 8 Relocatables					
Del Mar School (Neighb. #8A) site	\$ 237,821	\$ 237,821	\$ 237,821	\$ 237,821	\$ 237,821
Del Mar School (Neighb. #8A) construct.					
Other Del Mar JPA Relocatables					
Solana Pacific School construction					
Administration	\$ 77,012	\$ 62,224	\$ 31,908	\$ 84,773	\$ 78,425
NCW JPA Reserve					
<b>Total Encumbrances</b>	<b>\$ 4,560,826</b>	<b>\$ 4,546,038</b>	<b>\$ 4,515,722</b>	<b>\$ 4,568,586</b>	<b>\$ 4,562,239</b>
<b>SUMMARY</b>					
Total Funds on Deposit	\$ 14,280,253	\$ 15,321,058	\$ 17,866,533	\$ 12,118,249	\$ 13,528,345
Encumbrances (current fiscal year)	\$ (4,560,826)	\$ (4,546,038)	\$ (4,515,722)	\$ (4,568,586)	\$ (4,562,239)
<b>Unencumbered Funds Available</b>	<b>\$ 9,719,428</b>	<b>\$ 10,775,020</b>	<b>\$ 13,350,811</b>	<b>\$ 7,549,663</b>	<b>\$ 8,966,106</b>



# North City West

## School Facilities

### Financing Authority

Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
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 Mark Risco, Executive Director and Board Secretary

#### ITEM 6C-3

#### FINANCIAL STATUS OF APPROVED PROJECTS

Current Fiscal Year 2011-12

As of December 31, 2011

		C.V. MIDDLE SCHOOL	DEL MAR ELEM. N #8A School	ADMIN.	TOTAL PROJECTS
F/Y 2011/12	L		\$ 237,821		\$ 237,821
BUDGET	C	\$ 4,245,993	\$ -	\$ 108,050	\$ 4,354,043

EXPEND.	L				
FUND 78	C				\$ -
EXPEND.	L				
FUND 79	C			\$ 29,625	\$ 29,625
EXPEND.	L				\$ -
FACIL. FUND.	C				\$ -
TOTAL	L				\$ -
EXPEND.	C	\$ -	\$ -	\$ 29,625	\$ 29,625

PERCENT	L		0.0%		
OF BUDGET	C	0.0%	0.0%	27.4%	

BALANCE	L		\$ 237,821	\$ -	\$ 237,821
REMAINING	C	\$ 4,245,993	\$ -	\$ 78,425	\$ 4,324,418

L = Land purchase

C = Construction/Operations



# North City West School Facilities Financing Authority

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## ITEM 6D

### INCOME TO DATE, Funds 76, 77, 78, 79, 80, 81, 82, 83, & 84

Current Fiscal Year 2011-12  
 As of December 31, 2011

DATE	ITEM NO.	SOURCE	FUND 77 (21-09)		FUND 78 (21-10)		FUND 79 (35-00)		FUND 76 (21-62)		FUNDS (21-25)	
			PERMIT INCOME	INTEREST INCOME	TAX APPN. INCOME	INTEREST INCOME	MISC. INCOME	TAX APPN. INCOME	INTEREST INCOME	MISC. INCOME	INTEREST INCOME	80, 81, 82, 83 & 84 INCOME
7/15/11	CT	Apportionment # 13		1,633.93	34,691.95	10,016.24						339.78
7/29/11	CT	County Int. 100% 6/30/11						94.49				8.39
8/9/11	CT	Apportionment # 1			14,304.57							
9/6/11	CT	Apportionment # 2			20,444.37							
10/4/11	CT	Apportionment # 3			14,273.33							
10/21/11	CT	County Int. 100% 9/30/11		1,791.33		7,191.49		58.12				8.90
10/31/11	CT	Apportionment # 4			383,237.55			1,463.20				360.53
12/6/11	CT	Apportionment # 5			996,188.98			10,984.47				
YEAR TO DATE TOTAL INCOME			\$0.00	\$3,425.26	\$1,463,140.75	\$17,207.73	\$0.00	\$12,347.67	\$152.61	\$0.00	\$0.00	\$17.29
FORECAST TOTAL INCOME			\$203,520.00		\$8,301,486.00			\$64,688.00				
FORECAST YEAR TO DATE INCOME			\$270,941.54		\$7,662,910.15			\$59,712.00				
PERCENT COLLECTED YEAR TO DATE			0.0%		17.6%			19.1%			NA	

# North City West School Facilities Financing Authority

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## ITEM 6E

### Expenditures

Current Fiscal Year 2011-12  
 As of December 31, 2011

DATE	VENDOR	PURPOSE	WARRANT / SOURCE	EXPENDITURES					TOTAL EXPEND.	NCW IFA ADMIN	
				FUND 78	FUND 79	FUND 79 ADMIN	CTD BONDS	FUND AGR Funds 83 & 84			
07/14/11	US Bank	Administrative Services 6/11-5/12	12-937330			1,600.00				\$1,600.00	
07/14/11	Walden Financial Services	Executive Director April 11- May 11	12-937329			13,126.92				\$13,126.92	
07/26/11	AT&T	Phone service July 11- August 11	12-940587			73.12				\$73.12	
08/08/11	US Bank	Debt Service: for 9/1/2011	12-943640	5,807,537.52						\$5,807,537.52	
08/25/11	AT&T	Phone service August 11- September 11	12-940393			73.25				\$73.25	
09/21/11	Del Mar Union School District	Demography Study 10/11	12-949394			4,404.00				\$4,404.00	
09/21/11	US Bank	Trustee Disbursement Agent 9/1/11-8/31/12	12-958401			4,000.00				\$4,000.00	
10/07/11	US Bank	Administration/Dissemination Agent 9/1/11-8/31/12	12-964687			2,500.00				\$2,500.00	
10/25/11	US Bank	Trustee Extraordinary Admin Fees 1/1/11-9/28/11	12-972336			141.88				\$141.88	
11/08/11	Bond Logistics	Intern/Arbitrage Rebate Report Period Ending 9/1/2011	12-977791			3,000.00				\$3,000.00	
12/07/11	Solana Beach School District	Cash Conference - Caroline Brown	12-977792			692.00				\$692.00	
12/07/11	AT&T	Phone service Nov-Dec 11	12-988447			13.85				\$13.85	
<b>Total Expenditures To Date:</b>				<b>5,807,537.52</b>		<b>29,625.02</b>				<b>\$5,837,162.54</b>	<b>\$29,625.02</b>

# North City West School Facilities Financing Authority

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## ITEM 8A

**SUBJECT: Accept the FY 2010-11 NCW JPA annual independent audit.**

**BACKGROUND:** The annual independent audit for fiscal year 2010-11 was conducted during the week of October 6th through 7th, 2011, by Mr. Michael C. Mears of Wilkinson Hadley & Co., LLP, and Certified Public Accountants.

They found no exceptions in the JPA/CFD financial records and have expressed the opinion that the Authority's financial statements present fairly, in all material respects, the financial position of the NCWJPA/CFD as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The complete independent auditor's report follows for your review.

**RECOMMENDATION:** Review and accept the FY 2010-11 independent audit as presented.

# North City West School Facilities Financing Authority

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## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
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Mark Risco, Executive Director and Board Secretary

## ITEM 8B

**SUBJECT: Review and approve annual NCW Master Plan review letter to the City of San Diego.**

**BACKGROUND:** The provisions of the North City West School Facilities Master Plan require the Governing Board submit an annual review to the City of San Diego for their review and acceptance. At the first meeting of each calendar year the Board prepares an historical review plus an update of the JPA's accomplishments and plans for the future.

The draft annual letter to the City Council follows. Changes from last year's letter are in ***italicized bold*** type.

**RECOMMENDATION:** Review, edit as necessary and submit to the City of San Diego for Council review and acceptance.

# North City West School Facilities Financing Authority

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## Directors:

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## ITEM 8C

### **REVIEW AND APPROVE NCW JPA ADMINISTRATIVE BUDGET ADJUSTMENT FOR Fiscal Year 2011-12.**

**BACKGROUND:** Prior to the start of the upcoming fiscal year, the NCW JPA Board approves the annual budget to operate the administration of the NCW JPA.

Due to the potential refunding of NCWSFA Series 2002 and Series 2005A bonds, an adjustment is proposed to increase the Executive Director budget to not exceed amount of \$65,000 to account for the additional effort involved with the refunding.

**FISCAL IMPACT:** Not to exceed Executive Director Budget of \$65,000 for FY 2011-12.

**RECOMMENDATION:** Review and approve the recommended Executive Director budget increase to \$65,000.



# North City West School Facilities Financing Authority

**Directors:**

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
Doug Rafner, Director, Del Mar Union School District  
Mark Risco, Executive Director and Board Secretary

**JPA ADMINISTRATIVE BUDGET ADJUSTMENT FOR Fiscal Year 2011-12.**

ACCOUNT DESCRIPTION	F/Y 11-12 APPROVED BUDGET	F/Y 11-12 REVISED BUDGET
Supplies	\$ 100	\$ 100
Travel/Conference	4,000	4,000
Dues & Subscriptions	2,000	2,000
Telephone	1,350	1,350
Rent	-	-
Repairs/maintenance	-	-
Insurance	2,000	2,000
Equipment/Furniture	-	-
Contingency	1,000	1,000
Audit, annual	4,500	4,500
Arbitrage Calculation	5,000	5,000
Office of Education	8,100	8,100
Bond Trustee	10,000	10,000
County Counsel	-	-
Outside Legal services	10,000	10,000
Executive Director*	50,000	65,000
Outside Consultants	10,000	10,000
TOTAL EXPENSES	\$ 108,050	\$ 123,050

\*Executive Director Amount is inclusive of expenses, supplies and other services.

# North City West School Facilities Financing Authority

## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
Doug Rafner, Director, Del Mar Union School District  
Mark Risco, Executive Director and Board Secretary

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## ITEM 8D

### SELECTION OF UNDERWRITING FIRM FOR BOND REFUNDING

**BACKGROUND:** The NCWSFA is contemplating the refunding of the Series 2002 and Series 2005A bonds. In order to proceed with the process the Board has directed the Executive Director to coordinate the interview and selection of the Underwriting firm.

Possible firms:

- De La Rosa & Company
- Stone & Youngberg
- Piper Jaffray

**FISCAL IMPACT:** No fiscal impact as the underwriting fees are contingent on the bonds being refinanced. If bonds are refinanced then the cost will be part of the bond issue.

**RECOMMENDATION:** Review and approve the selected underwriting firm.

# North City West School Facilities Financing Authority

## Directors:

Leslie Fausset, Chairperson, Solana Beach School District  
Eric Dill, Vice Chairperson, San Dieguito Union High School District  
Doug Rafner, Director, Del Mar Union School District  
Mark Risco, Executive Director and Board Secretary

### ITEM 9A

#### Relocatable Update

School location	# of Relos.	DSA#	Year Installed	Project Cost	Mfg.
<b>Del Mar U.S.D.</b>					
Del Mar Heights	2	A-53971	1990	\$ 205,067	Modtech
Del Mar Hills	1	A-53871	1990		Modtech
Del Mar Heights	1	A-56889	1991	\$ 113,101	Aurora
Del Mar Heights	3	A-65034	1996	\$ 248,092	American Modular
Del Mar Heights	4	A-67313	1997	\$ 248,652	Modtech
Del Mar Hills	3	A-63254	1995	\$ 178,795	Modtech
Del Mar Hills	2	A-67314	1997	\$ 124,326	Modtech
Carmel Del Mar	1	A-63254	1995	\$ 119,196	Modtech
Carmel Del Mar	4	A-65910	1997	\$ 586,545	--
Sage Canyon	8		2001	\$ 893,853	Modtech
Subtotal Del Mar USD	29			\$ 2,717,627	
<b>Solana Beach S.D.</b>					
Solana Highlands	2	A-56806	1991	\$ 138,136	Aurora
Solana Santa Fe	1	A-56806	1997	\$ 104,302	Modtech
Carmel Creek	0	A-68290	1997		Modtech
Skyline School	1	A-68290	1997	\$ 104,302	Modtech
Solana Vista	2	A-68290	1997	\$ 208,605	Modtech
Subtotal - Solana Beach	6			\$ 555,345	
<b>San Dieguito U.H.S.D.</b>					
Torrey Pines High Sch.	6	A-45746	1985	\$ 330,859	--
Earl Warren Middle Sch.	6	A-53872	1991	\$ 195,528	Modtech
Torrey Pines High Sch.	4	A-64611	1996	\$ 260,845	Modtech
Earl Warren Middle Sch.	4	A-64611	1996	\$ 260,845	Modtech
Subtotal San Dieguito	20			\$ 1,048,077	
Total JPA relos	55			\$ 4,321,049	

**NORTH CITY WEST SCHOOL  
FACILITIES FINANCING AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NORTH CITY WEST SCHOOL  
FACILITIES FINANCING AUTHORITY  
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Aubrey W. King, CPA  
Richard K. Savage, CPA

## **INDEPENDENT AUDITOR'S REPORT**

**Board of Trustees  
North City West School  
Facilities Financing Authority  
Solana Beach, California**

We have audited the accompanying financial statements and the aggregate remaining fund information of North City West School Facilities Financing Authority (the Entity), as of and for the year ended June 30, 2011 which collectively comprise the Entity's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Entity's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North City West School Facilities Financing Authority as of June 30, 2011, and the aggregate remaining fund information and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
October 7, 2011

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

This section of the North City West School Facilities Financing Authority's (the "Entity") annual financial report presents management's discussion and analysis of the Entity's financial performance during the fiscal year ended June 30, 2011 (FY 2011). The management's discussion and analysis is required as an element of the reporting model established by the Government Accounting Standards Board (GASB) in Statement Number 34. This is the eighth year of implementation and the financial data and statements reflect prior year information. The Entity's financial statements follow this section.

**Using the Financial Statements**

The Entity is a Joint Powers Authority (JPA) established in 1983 to provide school facilities, concurrent with need, to support the educational programs for Carmel Valley kindergarten through twelfth grade students. Carmel Valley was formerly named North City West (changed in 1991), and sits within the coastal northwest portion of the City of San Diego. There are three member school districts in the Entity: Del Mar Union School District (grades K through 6); Solana Beach School District (grades K through 6); and San Dieguito Union High School District (grades 7 through 12).

The Entity provides funds for the needed school facilities using available state funding and school fees paid by residential construction. One of the methods currently employed to obtain needed funding from local sources has been to establish Community Facilities Districts (CFDs) and issue Mello-Roos bonds.

The individual school sites and buildings are owned and maintained by the member school districts. The Entity only has ownership of the relocatable classrooms located on school sites.

The absence of school facility assets and the obligation of long-term Mello-Roos bonds is the reason why the reader will see that the Entity's liabilities exceed its assets.

The Entity maintains cash accounts with the Treasurer of San Diego County and construction and other bond accounts with our Trustee, US Bank. While the Entity is not a school district, the San Diego County Office of Education uses its district accounting services to provide our accounting and monthly financial reporting. US Bank, our Trustee, provides the monthly bond fund accounting.

**Overview of the Financial Statements**

This annual audit consists of three parts: Management's Discussion and Analysis (this section); the basic financial statements; and notes to the financial statements. In addition, our consolidated financials consist of three funding parts: general; construction; and debt service.

**Financial Highlights**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Total net assets are:	\$(61,069,806)	\$(65,384,379)
Total assets consist of: current assets	20,822,923	21,281,978
capital and intangible assets	4,982,566	5,414,105
Total liabilities consist of: current liabilities	5,177,374	4,997,541
long-term liabilities	81,697,921	87,082,921

## North City West School Facilities Financing Authority as a Financial Entity

Table 1 provides a comparative summary of the Entity's total net assets for fiscal years ending June 30, 2011 and June 30, 2010.

Table 1  
Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets:</b>		
Cash in County Treasury	\$9,918,999	\$8,870,718
Cash with Fiscal Agent	10,891,831	12,395,286
Interest Receivable	<u>12,093</u>	<u>15,974</u>
<b>Total Current Assets</b>	<b>20,822,923</b>	<b>21,281,978</b>
 <b>Non-current Assets:</b>		
Buildings and Improvements, net	1,519,631	1,679,239
Intangible Assets, net	<u>3,462,935</u>	<u>3,734,866</u>
 <b>Total Assets</b>	 <b><u>\$25,805,489</u></b>	 <b><u>\$26,696,083</u></b>
 <b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ -	\$ -
Accrued Interest	1,327,374	1,387,541
Bonds Payable – Current Portion	<u>3,850,000</u>	<u>3,610,000</u>
<b>Total Current Liabilities</b>	<b>5,177,374</b>	<b>4,997,541</b>
 <b>Non-current Liabilities:</b>		
Bonds Payable	<u>81,697,921</u>	<u>87,082,921</u>
 <b>Total Liabilities</b>	 <b><u>86,875,295</u></b>	 <b><u>92,080,462</u></b>
 <b>Net Assets:</b>		
Restricted	2,985,351	6,587,933
Unrestricted	<u>(64,055,157)</u>	<u>(71,972,312)</u>
 <b>Total Net Assets</b>	 <b><u>(61,069,806)</u></b>	 <b><u>(65,384,379)</u></b>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 25,805,489</u></b>	 <b><u>\$ 26,696,083</u></b>

Tables 2 and 3 summarize the revenues and expenses for the twelve-month periods ending June 30, 2011 and June 30, 2010.

Table 2  
Operating Revenue, Twelve Months Ended

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Operating Revenue:</b>		
Mello-Roos Special Tax Apportionments	\$ 8,334,650	\$ 8,226,929
Developer School Fees	<u>315,360</u>	<u>284,400</u>
 <b>Total Operating Revenue</b>	 <b><u>\$ 8,650,010</u></b>	 <b><u>\$ 8,511,329</u></b>

Table 3

Operating Expenses, Twelve Months Ended

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Expenses:		
General and Administrative	\$ 100,164	\$ 78,529
Depreciation	159,608	159,608
Amortization	<u>271,931</u>	<u>271,931</u>
Total Operating Expenses	<u>\$ 531,703</u>	<u>\$ 510,068</u>

**Current Financial Related Activities**

The Entity developed a Facilities Funding Agreement approved in September 2002 that identifies the school facilities remaining to be funded for Carmel Valley students. Included were two new schools: Solana Pacific Elementary School for the Solana Beach School District (completed and opened in September 2004) and Ocean Air Elementary School for the Del Mar Union School District (completed and opened in August 2007). Funding for a major expansion of the Carmel Valley Middle School in the San Dieguito High School District, which is currently under evaluation by the Entity, is also included in the document.

For FY 2011, net assets increased \$4.3 million from net revenue compared to an increase of \$4.1 million for 2010; a 5% improvement primarily on the strength of increased operating revenues. During FY, 2011, the Entity continued to experience new building permit activity increasing both developer fees and special tax revenue over the prior fiscal year. Developer fees for FY 2011 were \$315,360 compared to \$284,400 in FY 2010, an 11% increase. Special tax revenue increased to \$8,334,650 in FY 2011 compared to \$8,226,929 for FY 2010, a 1% increase. Interest expense for FY 2011 decreased by \$211,823 as bond principal continued to be repaid. During FY 2011, the Entity paid \$18,046 for two years of demographic studies, which was the primary reason for the 26% increase in general and administrative expenses over the prior fiscal year.

Although there was a steady increase in special tax revenue over the past several years, total special tax revenue at September 1, 2010 was below the required debt coverage ratio required by the 2005A 1997 Escrow Agreement in order to release the balance of the escrowed bond proceeds held by the fiscal agent. As a consequence, the Entity was required to call \$1,535,000 in Escrow Bonds on September 1, 2010. The \$3.6 million decrease in restricted net assets at June 30, 2011 reflects the final release and transfers out of the 2005A escrow fund leaving the remaining balance equal to the reserve fund balances for outstanding bonds.

**Contacting the Entity's Financial Management**

This financial report is designed to provide citizens, taxpayers, and investors and credit rating agencies with a general overview of the Entity's finances and determine the Entity's accountability for the funds received and spent. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, North City West School Facilities Financing Authority, c/o Willdan Financial Services, 27368 Via Industria, Suite 110, Temecula, CA, 92590.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

<b>ASSETS</b>	
Current Assets:	
Cash in County Treasury	\$ 9,918,999
Cash with Fiscal Agent	10,891,831
Interest Receivable	12,093
<b>Total Current Assets</b>	<u>20,822,923</u>
Non-current Assets:	
Buildings and Improvements, net	1,519,631
Intangible Assets, net	3,462,935
<b>Total Non-current Assets</b>	<u>4,982,566</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,805,489</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ -
Accrued Interest	1,327,374
Bonds Payable - Current Portion	3,850,000
<b>Total Current Liabilities</b>	<u>5,177,374</u>
Non-current Liabilities:	
Bonds Payable	<u>81,697,921</u>
<b>TOTAL LIABILITIES</b>	<u>86,875,295</u>
<b>NET ASSETS</b>	
Restricted	2,985,351
Unrestricted	<u>(64,055,157)</u>
<b>TOTAL NET ASSETS</b>	<u>(61,069,806)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 25,805,489</u></u>

See the accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY  
STATEMENT OF ACTIVITIES  
JUNE 30, 2011**

<b>OPERATING REVENUES</b>	
Tax Apportionments	\$ 8,334,650
Developer Fees	<u>315,360</u>
<b>TOTAL OPERATING REVENUES</b>	<b>8,650,010</b>
<b>OPERATING EXPENSES</b>	
Professional Fees	37,888
Demographic Study	18,046
General and Administration	44,230
Depreciation	159,608
Amortization	<u>271,931</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>531,703</b>
<b>OPERATING INCOME (LOSS)</b>	<u><b>8,118,307</b></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and Investment Income	175,735
Interest and Fiscal Charges	<u>(3,979,469)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(3,803,734)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u><b>4,314,573</b></u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>(65,384,379)</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><u><b>\$ (61,069,806)</b></u></u>

See the accompanying notes to the financial statements



**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY  
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES  
JUNE 30, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Construction</u>	<u>Debt Service</u>	
<b>ASSETS</b>				
Cash in County Treasury	\$ 9,668,477	\$ 250,522	\$ -	\$ 9,918,999
Cash with Fiscal Agent	-	7,912,906	2,978,925	10,891,831
Accrued Interest Receivable	<u>11,753</u>	<u>340</u>	<u>-</u>	<u>12,093</u>
	<u>\$ 9,680,230</u>	<u>\$ 8,163,768</u>	<u>\$ 2,978,925</u>	<u>\$ 20,822,923</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Restricted				
Debt Services	-	-	2,978,925	2,978,925
Escrow Funds	-	6,426	-	6,426
Unassigned				
Other Unassigned	<u>9,680,230</u>	<u>8,157,342</u>	<u>-</u>	<u>17,837,572</u>
Total Fund Balances	<u>9,680,230</u>	<u>8,163,768</u>	<u>2,978,925</u>	<u>20,822,923</u>
	<u>\$ 9,680,230</u>	<u>\$ 8,163,768</u>	<u>\$ 2,978,925</u>	<u>\$ 20,822,923</u>

See the accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET</b>	<b>\$</b>	<b>20,822,923</b>
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets in governmental activities are not reported in the funds, net of accumulated depreciation:		1,519,631
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consisted of:		(85,547,921)
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in intangible assets, net of accumulated amortization:		3,462,935
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:		(1,327,374)
 <b>NET GOVERNMENTAL ASSETS - STATEMENT OF NET ASSETS</b>	 <b>\$</b>	 <b><u>(61,069,806)</u></b>

See the accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>
<b>REVENUES</b>				
Tax Apportionments	\$ 8,334,650	\$ -	\$ -	\$ 8,334,650
Investment Income	37,945	85,482	52,308	175,735
Developer Fees	<u>315,360</u>	<u>-</u>	<u>-</u>	<u>315,360</u>
<b>TOTAL REVENUES</b>	<u>8,687,955</u>	<u>85,482</u>	<u>52,308</u>	<u>8,825,745</u>
<b>EXPENDITURES</b>				
Administration:				
Professional Fees	37,888	-	-	37,888
Demographic Study	18,046	-	-	18,046
General and Administrative	<u>44,230</u>	<u>-</u>	<u>-</u>	<u>44,230</u>
<b>TOTAL EXPENDITURES</b>	<u>100,164</u>	<u>-</u>	<u>-</u>	<u>100,164</u>
Excess of Revenues Over (Under) Expenditures	<u>8,587,791</u>	<u>85,482</u>	<u>52,308</u>	<u>8,725,581</u>
<b>OTHER SOURCES (USES):</b>				
Principal Reduction	-	-	(5,145,000)	(5,145,000)
Interest Expense	-	-	(4,039,636)	(4,039,636)
Transfers In (Out)	<u>(7,545,046)</u>	<u>(1,609,506)</u>	<u>9,154,552</u>	<u>-</u>
<b>TOTAL OTHER SOURCES (USES)</b>	<u>(7,545,046)</u>	<u>(1,609,506)</u>	<u>(30,084)</u>	<u>(9,184,636)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,042,745	(1,524,024)	22,224	(459,055)
<b>FUND BALANCE, July 1, 2010</b>	<u>8,637,485</u>	<u>9,687,792</u>	<u>2,956,701</u>	<u>21,281,978</u>
<b>FUND BALANCE, June 30, 2011</b>	<u>\$ 9,680,230</u>	<u>\$ 8,163,768</u>	<u>\$ 2,978,925</u>	<u>\$ 20,822,923</u>

See accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2011**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>(459,055)</b>
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		(159,608)
Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		5,145,000
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		(271,931)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		60,167
 <b>CHANGE IN GOVERNMENTAL NET ASSETS - STATEMENT OF ACTIVITIES</b>	 <b>\$</b>	 <b><u>4,314,573</u></b>

See the accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**A. Organization:**

The North City West School Facilities Financing Authority (the Entity) was formed by a joint powers agreement among the following San Diego County School Districts: San Dieguito Union High School District, Del Mar Union School District, and Solana Beach School District. The purpose of the Entity is to collect developer fees and rebate the monies to the districts to build the necessary facilities. The North City West School Facilities Financing Authority is an entity separate and distinct from each of its participant districts.

**B. Summary of Significant Accounting Policies:**

*Reporting Entity*

In evaluating how to define the Entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The basic, but not the only criterion for including a potential component unit within the reporting entity is the Board of Director's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public services. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the Entity is able to exercise oversight responsibilities.

Based on these criteria, the Entity has no component units. Additionally, the Entity is not a component unit of any other reporting entity as defined by the GASB Statement.

*Basic of Presentation and Accounting*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The Entity has no business-type activities.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major and non-major governmental funds each displayed in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Entity has no proprietary fund types.

The Entity reports the following major governmental funds:

General Fund. This is the Entity's primary operating fund. It is used to account for all financial resources of the Entity except those required to be accounted for in another fund.

In addition, the Entity reports the following fund types:

Debt Service Fund. This fund is used to account for the payment of principal and interest on general long-term debt. The Entity maintains the debt service fund to account for the accumulation of resources for, and the repayment of bonds, interest and related costs.

Construction Fund. This fund is used to account for capital outlay expenditures to build the necessary facilities for each of the participating school districts.

*Budget and Budgetary Accounting*

By state law, the Entity's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The Entity's governing board satisfied these requirements.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.



**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

*Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the Entity considers all highly liquid debt or equity investments purchased with an original maturity of three months or less to be cash equivalents.

*Property Taxes*

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the Entity. Tax revenues are recognized by the Entity when received.

*Fund Balance Reserves and Designations*

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Entity's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the Entity intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Entity itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

*Fund Balance Reserves and Designations*

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Entity considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Entity considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

*Total Columns on Combined Statements*

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

*Income Taxes*

The Entity is a governmental organization exempt from federal and state income taxes.

*Funding Sources*

Significantly all of the Entity's primary funding sources come from tax apportionment fees and developer fees collected.

*Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. A capitalization threshold of \$5,000 is used.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the following estimated useful lives of the assets:

Relocatable Buildings and Improvements	25 years
--	----------

*Intangible Assets*

Intangible assets consists of issuance costs on bond proceeds. The issuance costs are being amortized over the debt service life of the bond to which the issuance costs relate. Amortization for intangible assets has been computed using the straight-line method. Intangible assets are reported net of accumulated amortization as of June 30, 2011.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**C. Cash and Investments:**

Cash in County Treasury

In accordance with Education Code Section 41001, the Entity maintains a substantial amount of its cash in the San Diego County Treasury as part of the common investment pool (\$9,918,999 as of June 30, 2011). The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptance, commercial paper, negotiable certificates of deposit, repurchase or reverse repurchase agreements.

Cash in Banks

Cash balances on hand and in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Cash Held by Fiscal Agent

The Entity records its accounting for investments at market value in accordance with GASB 31. As of June 30, 2011, cash held by fiscal agent on behalf of the Entity is presented below:

	<u>Cost</u>	<u>Market Value</u>	<u>Carrying Amount</u>
First American Treasury Obligations	\$ 113,361	\$ 113,361	\$ 113,361
US Bank Money Market Funds	9,686,596	9,686,596	9,686,596
Investment Agreements	<u>1,091,874</u>	<u>1,091,874</u>	<u>1,091,874</u>
Total	<u>\$10,891,831</u>	<u>\$10,891,831</u>	<u>\$10,891,831</u>

**D. Capital Assets:**

A summary of changes in capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Buildings and Improvements	\$ 4,321,049	\$ -	\$ -	\$ 4,321,049
Less Accumulated Depreciation	<u>(2,641,810)</u>	<u>(159,608)</u>	<u>-</u>	<u>(2,801,418)</u>
Net Capital Assets	<u>\$ 1,679,239</u>	<u>\$ (159,608)</u>	<u>\$ -</u>	<u>\$ 1,519,631</u>

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**E. Bonds Payable:**

*Series 2002*

In September 2002 the Entity issued \$21,857,921 of subordinate special tax revenue bonds with an interest rate of 4.50% to 5.00%. These bonds were issued to finance the acquisition and construction of certain elementary and secondary school buildings and facilities. The bonds are special limited obligations of the Entity payable, as noted below, from proceeds of an annual special tax levied on the developed property located with the Entity district and the levy of the special tax on underdeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2011 was \$21,857,921. Principal payments are made on September 1 with the first payment due September 1, 2020 while interest is payable semi-annually on March 1 and September 1. The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	-	842,950	842,950
2013	-	842,950	842,950
2014	-	842,950	842,950
2015	-	842,950	842,950
2016	-	842,950	842,950
2017-2021	3,530,000	4,126,500	7,656,500
2022-2026	15,104,970	6,465,155	21,570,125
2027-2028	<u>3,222,951</u>	<u>5,504,924</u>	<u>8,727,875</u>
Totals	<u>21,857,921</u>	<u>20,311,329</u>	<u>42,169,250</u>

*Series 2005A*

In August 2005 the Entity issued \$17,665,000 of subordinate special tax revenue bonds with an interest rate of 3.75% to 4.00%. These bonds were issued to provide funds to pay the costs of the acquisition, construction, and installation of certain school facilities and to pay certain costs related to the bonds. The bonds are special limited obligations of the Entity payable, as noted below, from the proceeds of an annual special tax levied on the developed property located within the Entity district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**E. Bonds Payable: (Continued)**

*Series 2005A*

The principal amount outstanding at June 30, 2011 was \$16,130,000. Principal payments are made on September 1 with the first payment due September 1, 2011 while interest is payable semi-annually on March 1 and September 1. The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	820,000	667,710	1,487,710
2013	855,000	638,055	1,493,055
2014	875,000	605,831	1,480,831
2015	920,000	572,175	1,492,175
2016	950,000	535,925	1,485,925
2017-2021	4,990,000	2,051,538	7,041,538
2022-2026	4,590,000	813,850	5,403,850
2027-2028	<u>2,130,000</u>	<u>96,975</u>	<u>2,226,975</u>
Totals	<u>16,130,000</u>	<u>5,982,059</u>	<u>22,112,059</u>

*Series 2005B*

In August 2005 the Entity issued \$31,110,000 of subordinate special tax refunding bonds with an interest rate of 3.00% to 5.25%. These bonds were issued to provide funds to refund the 1997C senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Entity payable, as noted below, from proceeds of an annual special tax levied on the developed property located within the Entity district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2011 was \$25,055,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1. The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	990,000	1,249,575	2,239,575
2013	1,020,000	1,214,400	2,234,400
2014	1,065,000	1,175,250	2,240,250
2015	1,100,000	1,125,075	2,225,075
2016	1,160,000	1,065,750	2,225,750
2017-2021	6,780,000	4,323,375	11,103,375
2022-2026	8,755,000	2,294,644	11,049,644
2027-2028	<u>4,185,000</u>	<u>222,469</u>	<u>4,407,469</u>
Totals	<u>25,055,000</u>	<u>12,670,538</u>	<u>37,725,538</u>

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**E. Bonds Payable: (Continued)**

*Series 2006C*

In June 2006 the Entity issued \$31,030,000 of subordinate special tax revenue refunding bonds with an interest rate of 5.00%. These bonds were issued to provide funds to refund the 1995B senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Entity payable, as noted below, from the proceeds of an annual special tax levied on the developed property located within the Entity district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2011 was \$22,505,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1. The bonds mature through September 1, 2019 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2,040,000	1,074,250	3,114,250
2013	2,140,000	969,750	3,109,750
2014	2,250,000	860,000	3,110,000
2015	2,360,000	744,750	3,104,750
2016	2,480,000	623,750	3,103,750
2017-2020	<u>11,235,000</u>	<u>1,157,375</u>	<u>12,392,375</u>
Totals	<u>22,505,000</u>	<u>5,429,875</u>	<u>27,934,875</u>

**F. Changes in Long-Term Debt:**

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
2002 Bonds	\$ 21,857,921	\$ -	\$ -	\$ 21,857,921
2005A Bonds	17,665,000	-	1,535,000	16,130,000
2005B Bonds	26,375,000	-	1,320,000	25,055,000
2006C Bonds	<u>24,795,000</u>	<u>-</u>	<u>2,290,000</u>	<u>22,505,000</u>
Total	<u>\$ 90,692,921</u>	<u>\$ -</u>	<u>\$ 5,145,000</u>	<u>\$ 85,547,921</u>





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**AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Trustees  
North City West School  
Facilities Financing Authority  
Solana Beach, California**

We have audited the financial statements and the aggregate remaining fund information of North City West School Facilities Financing Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered North City West School Facilities Financing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North City West School Facilities Financing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North City West School Facilities Financing Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North City West School Facilities Financing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts; however, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management, others within the entity, and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Hadley King & Co, LLP*

El Cajon, California  
October 7, 2011

**February 21, 2012**

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 2011/12** (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 Council Resolution No. R-255381 on November 18, 1981, an annual review by the Joint Powers Agency (JPA) 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" (See Exhibit E, page 3 of the Plan).

**Historical Overview:**

The Joint Powers Agency titled "North City West School Facilities Financing Authority" 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, Solana Beach School District (both kindergarten through 6<sup>th</sup> grades) and San Dieguito Union High School District (7<sup>th</sup> through 12<sup>th</sup> grades), 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 (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 a Mello-Roos Community Facilities District (CFD No.1) to supplement the funding of school facilities and authorized the sale of \$80,000,000 in municipal bonds. The new CFD No. 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 refinanced the remaining \$45,600,000 of the original Bond issue 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. There are 8,904 dwelling units in CFD No.1 as of July 1, 2011, which pay the Special Mello-Roos tax.

**Master Plan review, February 28, 2011, page 2**

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 buildout. 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.

In August 2005, the JPA issued an additional \$17,665,000 of additional Mello-Roos Bonds (Series 2005A) and refunded the Series 1995B and 1997C Bonds, replacing them with Series 2005B and 2006C Bonds, issued at a substantially lower interest rate. There is currently a total **\$59,840,000** (par value) of Mello-Roos bonds issued and outstanding.

Approximately 4% of the unbuilt acreage was not included in CFD No. 1 and remained under the North City West school direct deposit fee schedule as outlined in the original Master Plan. As of today, there remains approximately **30** acres of vacant residentially zoned land subject to the direct fees (possibly **25** dwelling units). The San Diego City Council approved the current direct deposit fee schedule in effect for this land through fiscal year 2017/18 on April 6, 2010.

Direct deposit school fees per residence are as follows:

	Approved F/Y 2011-12	Approved F/Y 2012-13
Single family	\$24,041	\$25,002
Multi family	\$16,830	\$17,503

A new Mello-Roos District, CFD No. 2, was formed in 1997 to allow developers to annex some of the above vacant land into a CFD if a project using several parcels of land, one or more which was not in CFD No.1, to permit the entire project to be marketed at similar prices. As of July 1, 2008, 52 single-family homes are in CFD No. 2.

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

To date, the districts have completed 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
47 relocatable classrooms	Various	1985-2004
Ocean Air Elementary School	Del Mar	2007

*Construction is on hold for the following school:*

Carmel Valley Middle School expansion	needed in 2012
---------------------------------------	-------------------

**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 has also exceeded the projections of the Master Plan. The most recent district demographic studies forecast an enrollment of 5,639 kindergarten through sixth

**Master Plan review, February 28, 2011, page 4**

grade students, 3,849 seventh and eighth grade students, and 8,552 ninth through twelfth grade students at Carmel Valley residential buildout. This is a 258% increase (11,040 more students) from the 1981 NCW Master Plan projection of 7,000 K through twelfth grade students at buildout.

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.

As a result of the above noted changes: (1) both the Del Mar Union School District and the Solana Beach School District each established the need for an additional elementary school; and (2) the San Dieguito Union High School District has established the need for additional facilities to accommodate additional students in grades 7 through 12.

**Fiscal year 2007-2010 Accomplishments:**

In September 2007, doors opened at Ocean Air Elementary School. This new Del Mar Union School District elementary school houses approximately 684 students. The 77,000 square foot school includes the latest in educational technology.

**Fiscal year 2011/12 plans:**

San Dieguito Union High School District has funds encumbered for the expansion of the Carmel Valley Middle School. However the District has opted to defer the encumbered funds. San Dieguito Union High School District is in the process of evaluating the needs of all District facilities and will determine the use of the funds upon completion of the evaluation.

**General comments:**

While the residential development of Carmel Valley has matured and leveled off over the past five years **and has seen minimal housing starts these past two years with the slowed economy**, the strong growth seen over the past decade continues 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 has contributed materially to this assessment.

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

Sincerely,

Leslie Fausset  
Board Chairman, North City West School Facilities Financing Authority



February ~~17~~28, 2012

North City West School Facilities Financing Authority  
c/o Mark Risco  
Wildan Financial Services  
27368 Via Industria, Suite 110  
Temecula, California ~~92590~~92590

Dear Mark:

This letter describes the terms of our relationship. Manatt, Phelps & Phillips, LLP (“we” or “us”) will serve as bond counsel in connection with the refunding of three series of bonds by North City West School Facilities Financing Authority (“you”). For purposes of this engagement, we will be representing you only and all duties and responsibilities created and imposed by this agreement shall be owed solely to you and we will not be deemed to represent you or any of your members, any other entity or joint powers authority in which you are a member (collectively, “Your Affiliates”), unless otherwise agreed to in writing. Accordingly, we will be free to represent other firm clients adverse to or involving Your Affiliates or their interests. If this agreement is acceptable to you, please sign and return the original to me. The enclosed copy is for your files. In addition, please send a copy of the signed agreement to me by email as a .pdf attachment, or by facsimile at 310.312.4224. When you sign this letter, it becomes a contract between you and us.

**Rates/Fees.** You agree to pay our fees for services as bond counsel, which will be a fixed fee mutually agreed upon prior to the commencement of services or at such other mutually agreed upon time when a more complete evaluation of the services can be undertaken in an amount not less than ~~\$85,000~~ 90,000 nor more than ~~\$100,000~~ 175,000 plus expenses (~~including costs of special tax counsel~~); provided, however, that in the event we cannot agree upon a fixed fee we will bill you and be paid at our standard hourly rates then in effect for the professionals providing such services up to and amount not to exceed the maximum fee specified above and provided further, however, that services rendered outside the scope of this agreement shall also be billed at our standard hourly rates. Currently, these hourly rates vary from \$215 for the most junior attorney to \$730 for the most senior professional likely to perform services for you. We review our hourly rates annually and any changes normally become effective on January 1. I will be primarily responsible for representing you and Lauren Spiegel will have day to day responsibility for financing matters. It may be necessary or desirable, from time to time, to utilize other professionals and personnel employed by or associated with us to perform the services you require. In addition to attorneys, the professionals whose services may be required

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in connection with our work on your behalf may include non-attorneys, such as consultants, advisors, litigation support specialists, paralegals and legal assistants. Notwithstanding, anything herein to the contrary, all fees (excluding out of pocket expenses) for this bond refunding matter shall be deferred and payable upon the first to occur of (a) the consummation of the proposed refunding, (b) the termination of our engagement prior to the consummation of the refunding, and (c) your determination not to proceed with the refunding on or after 3/1/2013 and before 6/1/13, which determination will be deemed made on 6/1/13 if no formal determination is made prior to 6/1/13; provided, however, in the event your determination not to proceed with the refunding pursuant to this clause (c) is based upon an analysis of your financial advisor that after the payment of all reasonable costs and expenses of the refunding, savings could not be achieved by undertaking the refunding, the fees (other than out of pocket expenses) will not be payable so long as the parties in good faith worked towards a refunding. In addition to fees for services, you agree to pay all expenses incurred on your behalf and for certain in-house administrative services. Expenses such as court filing fees, filing and recording fees of other government agencies, fees and expenses of accountants or other experts retained on your behalf, and charges for transcripts, depositions, parking, and travel expenses generally will be billed at the actual cost incurred by us; however, you acknowledge your responsibility to pay the fees and expenses of such third parties, and we may require retainers in respect of such third party costs. You further agree that you will, at our request, contract directly with such third party vendors or otherwise agree to be responsible directly to them for the payment of their fees. Expenses such as document reproduction, on-line computerized research, long-distance telephone, telecopies and fax transmissions, mileage, word processing, staff overtime required to meet your imposed deadlines, and messenger services will be charged at our standard rate in effect at the time the expense is incurred.

**Billing Practices.** We will submit our bill upon closing with payment due on closing, or in the event the engagement is terminated upon termination as provided below.

**No Guarantee of Results.** Either at the beginning or during the course of our representation, we may express our opinions or beliefs concerning the matter or various courses of action and the results that might be anticipated. Any such statement made by any attorney or employee of our firm is intended to be an expression of opinion only, based on information available to us at the time, and must not be construed by you as a promise or guarantee of any particular result.

**Late Charges.** Each month we send to clients who have amounts outstanding an Unpaid Statement notice listing all such amounts. A client will be assessed a late charge equal to one percent (1%) of the amount included on each notice that has been outstanding more than sixty

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(60) days from, the date such payment is due and owing. The amount of this late charge will be set forth on the notice. This late charge will be imposed each month on amounts that continue to be outstanding for more than sixty (60) days the date the payment is due and owing, including unpaid late charges. Unless a payment applies to a particular invoice, payments are applied to statements that have been outstanding the longest period of time. The costs associated with late payments go beyond a mere cost of funds calculation and make it impracticable or extremely difficult to quantify the actual costs incurred in connection with late payments, and you and we agree that this late charge is presumed to be the cost of a payment that is not made on time. We also note that this late charge provision is not intended to provide our clients with a means of financing their bills, and instead we continue to expect and require prompt payment of our billing statements.

**Termination of Engagement.** Either of us can terminate this relationship at any time, but if we find it necessary to terminate the relationship, we will, of course, comply with our ethical obligations to protect your interests in the process of withdrawing. Upon termination of this engagement, you will remain responsible for the payment of all fees and expenses incurred on account of the representation, payable at our standard rates, up to the maximum specified in the Rates/Fees section above. You also agree that we may apply to the court or other tribunal to withdraw as your counsel in such matter(s) and you hereby consent to such withdrawal and to cooperate fully and promptly in freeing us of any obligation to perform further work, including the execution and delivery of a substitution of attorney form. In addition, you agree to immediately advise the appropriate court or tribunal of replacement counsel.

**Client Files.** At the conclusion of our engagement, upon your request, we will turn over documents in the file(s) for this matter to your custody. If you do not request the file, we will retain it for a period of at least seven (7) years after the matter has concluded. If you do not request delivery of the file before the end of the seven-year period, we will have no further obligation to retain the file and may, at our sole discretion, destroy the file without further notice to you.

**Tax Reporting and Disclosure.** Please be advised that certain federal and state tax laws and regulations may require us to provide information to tax authorities about advice rendered by us. If you have any questions about these requirements, an appropriate member of our tax practice will be pleased to discuss them with you.

**Policy Regarding Sarbanes-Oxley Section 307.** Please be advised that our firm has a policy regarding compliance with Section 307 of the Sarbanes-Oxley Act of 2002, SEC Release

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No. 33-8185, 17 CFR, Chapter II, Part 205. A copy of this policy is available for your review upon request.

**Conflicts of Interest.** You understand and acknowledge that while Manatt is representing you, that we may be asked to represent a client in the future in connection with non-litigation matters adverse to or involving your interests. We represent a large number and variety of clients across a wide array of industries and businesses, including, without limitation, investment banks and public entities. Given the scope of our practice, it is possible that we may be asked to represent, one or more of these other clients in matters adverse to you or your interests. By executing this letter, you acknowledge that we may represent in the future, clients who directly, or through an affiliate, may be adverse parties to you in future transactions, negotiations, regulatory, legislative and public policy matters. You hereby acknowledge and agree that you have no objection to our representing such clients adverse to you or your interests in connection with any matter not directly related to those matters for which we are representing or have represented you, and you waive any conflict of interest that may exist by virtue of any such adverse representation. This consent and waiver does not permit us to use any confidential information obtained during the course of our representation of you in any matter, nor does it extend to our engaging in litigation, arbitration or other formal dispute resolution proceedings adverse to you without your consent.

**Arbitration.** We appreciate the opportunity to serve as your attorneys and look forward to a harmonious relationship unmarred by disputes between us. In the event you become dissatisfied for any reason with the fees charged or the services we have performed, we encourage you to bring that to our attention immediately; we will do the same if we perceive a problem with the representation. It is our belief that most such problems can be resolved by good faith discussion between the parties. Nevertheless, it is always possible that some dispute may arise which cannot be resolved by discussion between us. We believe that such disputes can be resolved more expeditiously and with less expense to all concerned by binding arbitration rather than by court action. Accordingly, both you and we agree to be bound by the Arbitration Provision attached hereto as Schedule A and incorporated herein by this reference.

**Wire Transfer.** You may remit payments due to us via wire transfer as follows:

**Comerica Bank- California**  
1021 Glendon Avenue  
Los Angeles, CA 90024  
Routing number: 121137522

For credit to the account of Manatt, Phelps & Phillips, LLP



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Account number: 1890693698]

**Effective Date.** This agreement will not take effect, and we will have no obligation to provide services to you, until you return a signed copy of this agreement, but the effective date of this agreement will be retroactive to the date we first provided legal services to you. Even if this agreement is not executed and returned by you, you will be obligated to pay the reasonable value of any services we may have performed for you at your direction. No modification to this agreement will be effective unless it is in writing and signed by both of you and us. Facsimile signatures are as effective as original signatures.

Please confirm your agreement to the terms of this engagement letter by signing and returning this letter at your earliest opportunity. For your convenience, we have enclosed a self-addressed, stamped envelope, or you can return it to me by email as a .pdf attachment, or by fax at 310.312.4224.

We appreciate this opportunity to be of service to you.

**Manatt, Phelps & Phillips, LLP**

By: \_\_\_\_\_  
**Masood Sohaili**

Its: Partner

Dated: \_\_\_\_\_

**North City West School Facilities Financing Authority:** We hereby agree to retain Manatt, Phelps & Phillips, LLP, on the terms described above.

**North City West School Facilities  
Financing Authority**

By: \_\_\_\_\_

Its:

North City West School Facilities Financing Authority

~~Mr.~~ c/o Mark Risco

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Dated: \_\_\_\_\_

## **Schedule A** **ARBITRATION PROVISION**

Arbitration is a process by which both parties to a dispute agree to submit the matter to a judge or arbitrator who has expertise in the area and to abide by the arbitrator's decision. In arbitration, there is no right to a trial by jury and the arbitrator's legal and factual determinations are generally not subject to appellate review. Rules of evidence and procedure are often less formal and rigid than in a court trial. Arbitration usually results in a decision much more quickly than proceedings in court. Please note that you are free to discuss the advisability of arbitration with other counsel or advisors.

By signing this letter, you agree that, in the event of any dispute arising out of or relating to this agreement, our relationship, or the services performed (including, but not limited to, disputes alleging negligence, breach of fiduciary duty, fraud, or any claim based upon a statute), such disputes shall be resolved by submission to binding arbitration in Los Angeles County, California, before a retired judge, justice or other neutral person affiliated with JAMS or ADR Services, as the case may be (JAMS or ADR Services being referred to as the "Arbitration Service"); provided however, that, in the event of any inconsistency between the rules and procedures of the Arbitration Service and the terms of this agreement, the terms of this agreement shall prevail. If we are unable to agree on an arbitrator, each party will name one arbitrator and the two persons so named will select a neutral arbitrator who will act as the sole arbitrator. If either side fails or refuses to name an arbitrator as set forth above, the arbitrator identified by the other party shall conduct the arbitration.

The parties shall be entitled to take discovery in accordance with the provisions of the California Code of Civil Procedure, but either party may request that the arbitrator limit the amount or scope of discovery and, in determining whether to do so, the arbitrator shall balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively. The arbitrator shall apply and follow California law. The arbitrator shall have no power to commit errors of law or legal reasoning, and the arbitration award must be vacated or corrected by a court of competent jurisdiction for any such error.

The prevailing party shall be entitled to recover all reasonable attorneys' fees, expert fees, expenses, and costs (whether or not such fees, expenses, and costs are recoverable pursuant to the California Code of Civil Procedure). You agree that, if we represent ourselves in such arbitration and we are the prevailing party, we shall be entitled to recover the reasonable value of the services of fees of our attorneys representing us in such arbitration (based on their normal billing rates). Absent this agreement, we may be precluded from recovering attorneys' fees unless we retain other counsel to represent us in such arbitration.



Notwithstanding the foregoing, in the event a dispute arises between us relating to the amount or payment of our fees, you have the right to request nonbinding arbitration of such fee dispute under the procedures provided in Sections 6200-6206 of the California Business & Professions Code, as opposed to the procedures described in this letter. This firm is required to give you notice of this right at the commencement of any action to recover fees, which will also include the process for electing the alternative arbitration procedures. If you decline to accept that nonbinding arbitration within 30 days, either you or we are then entitled to binding arbitration as set forth above. If you accept nonbinding arbitration and, after that arbitration, either side refuses to accept the award as a binding award, then either side is entitled to initiate binding arbitration as set forth above. Any other claims or disputes between us, including claims for professional negligence, shall remain subject to the binding arbitration procedures as provided in this letter.

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