

<b>REQUEST FOR COUNCIL ACTION</b> CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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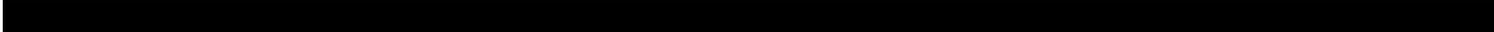
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): DSD - Facilities Financing	DATE: 06/13/2013
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SUBJECT: Annual Review of the Fiscal Year 2012-2013 North City West (Carmel Valley) School Facilities Master Plan

PRIMARY CONTACT (NAME, PHONE): Megan Sheffield, 533-3672 M.S. 606 F	SECONDARY CONTACT (NAME, PHONE): Scott Mercer, 533-3676 M.S. 606 F
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**COMPLETE FOR ACCOUNTING PURPOSES**

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00



FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): N/A

**ROUTING AND APPROVALS**

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Tomlinson, Tom	6/18/2013
Liaison Office	CFO		
	DEPUTY CHIEF		
	COO		
	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF:     RESOLUTIONS     ORDINANCE(S)     AGREEMENT(S)     DEED(S)

Accept the Annual Review of the Fiscal Year 2012-2013 North City West (Carmel Valley) School Facilities Master Plan.

STAFF RECOMMENDATIONS: Approve Requested Action.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	1
COMMUNITY AREA(S):	Carmel Valley
ENVIRONMENTAL IMPACT:	This activity is not a “project” pursuant to Section 15060(c)(3) as defined in State CEQA Guidelines Section 15378(c). Future development proposals for which the funds are targeted will be subject to CEQA review at the appropriate future date. This determination is predicated on Section 15004 of the guidelines, which provides direction to lead agencies on the appropriate timing for environmental review.
CITY CLERK INSTRUCTIONS:	Please send a copy of the signed Resolution to Megan Sheffield, MS 606F.

**COUNCIL ACTION**  
**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE: 06/13/2013

ORIGINATING DEPARTMENT: DSD - Facilities Financing

SUBJECT: Annual Review of the Fiscal Year 2012-2013 North City West (Carmel Valley)  
School Facilities Master Plan

COUNCIL DISTRICT(S): 1

CONTACT/PHONE NUMBER: Megan Sheffield/533-3672 M.S. 606 F

**DESCRIPTIVE SUMMARY OF ITEM:**

Accepting the annual review of the North City West School Facilities Master Plan, from the North City West School Facilities Financing Authority Board.

**STAFF RECOMMENDATION:**

Approve Requested Action.

**EXECUTIVE SUMMARY OF ITEM BACKGROUND:** The North City West School Facilities Master Plan was adopted by the City Council in 1981. The Joint Powers Agency titled "North City West School Facilities Financing Authority" was adopted by City Council in 1983. The Mello-Roos Community Financing District No. 1 was formed in 1988 to supplement the financing of school facilities in Carmel Valley (formerly North City West). The Mello-Roos District covers 96% of the then remaining undeveloped residentially zoned land in Carmel Valley. The remaining 4% continues to be subject to the direct deposit fee established by the original Master Plan and is updated periodically with City Council approval. The most recent direct deposit fee schedule update was adopted by City Council on April 12, 2010, and will remain in effect through June 30, 2018.

In accordance with the provisions of the Master Plan, an annual review by the Joint Powers Agency (JPA) in consultation with the City Council is required. The JPA evaluates the performance of the program, reassesses the ongoing commitments to the completion of the needed school facilities and reevaluates the cost and deposits for the financing program. Historically, annual review requirements have been satisfied through staff submission of the Annual Review to the City Council as a docketed item.

The City does not have any financial obligation in the financing of school facilities through bonds or other financing methodologies. As stated in the Master Plan, "As the City of San Diego is not normally in the business of providing education, the School Facilities Master Plan presents only the framework within which the school districts themselves will design and supervise the construction of school facilities." Further, "Responsibility for implementation of the North City West School Facilities Master Plan shall primarily rest with the school districts."

All schools called out for in the Master Plan have been built. However, because the JPA has funds on balance and those funds may be used for future schools or school enhancements, an annual review must be submitted by the JPA and accepted by City Council.

The Annual Review of Fiscal Year 2012-2013 North City West (Carmel Valley) School Facilities Master Plan was approved on December 6, 2012, at the North City West School Facilities Financing Authority Board Meeting.

FISCAL CONSIDERATIONS: None to the City.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE): This action does not authorize entering into any contract or agreement.

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee): Previous City Councils have accepted the annual reports as submitted.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The City is a non-voting member of the Joint Powers Agency comprised of three school districts, and has the responsibility to accept the annual reviews in compliance with the North City West School Facilities Master Plan.

Tomlinson, Tom  
Originating Department

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Deputy Chief/Chief Operating Officer

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

December 6, 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 2012-13** (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, 2012, which pay the Special Mello-Roos tax.

On September 1, 2002, the JPA approved a Facilities Funding Agreement that identified and prioritized the remaining schools and school expansion projects needed through Carmel Valley 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.

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

There is currently a total **\$81,697,921** (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 2012-13	Approved F/Y 2013-14
Single family	\$25,002	\$26,003
Multi family	\$17,503	\$18,202

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, 2012, 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
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**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 5,677 kindergarten through sixth grade students, 3,833 seventh and eighth grade students, and 8,478 ninth through twelfth grade students at Carmel Valley residential buildout. This is a 257% increase (10,988 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 2007-2008 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 2012-13 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.

Master Plan review, December 6, 2012, page 5

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

Sincerely,

Eric Dill  
Chairperson, North City West School Facilities Financing Authority

Historical Overview of the  
**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY**  
and  
**COMMUNITY FACILITIES DISTRICTS NOS. 1 & 2**

- 1968-72 Mira Mesa (a housing development in the City of San Diego) was developed. Thousands of homes were built, but no parks, fire stations, infrastructure or schools were planned or funded.
- 1972-74 Parents in Mira Mesa descended on the San Diego City government complaining about the lack of services. The result: two City policies, 600-10 and 600-22, which stated that, “there shall be school facilities concurrent with need.” Other policies affecting roads, parks, fire stations, etc., were also formulated.
- 1974-80 Plans for North City West (currently known as Carmel Valley) were progressing through City of San Diego channels. Many meetings were held with the City, developers and School District personnel. The subject area covered approximately 4,285 acres, or about 6.7 square miles. The Community Plan adopted in 1975 called for 16,500 living units with a predicted population of approximately 40,000 residents.
- 1978-80 The City of San Diego develops a Facilities Benefit Assessment (FBA) Plan. The FBA finances roads, traffic signals, park and rides, libraries, freeway interchanges, etc., **but does not finance school facilities.**
- 1978-81 The City, three school districts (Del Mar Union, Solana Beach and San Dieguito Union High School) and major developers (Pardee and Baldwin Companies) develop the “**North City West School Facilities Master Plan.**” The proposed plan provides that all school facilities will be fully funded and that the school facilities will be in place concurrent with need.
- 1981 The North City West School Facilities Master Plan (Master Plan) is approved by the City Council on November 17, 1981, with the recommendation of the three school districts. The City is designated as the administrator of the Master Plan.

The Master Plan creates the procedures and the financing framework needed for the three affected school districts to provide the necessary K-12 public school facilities.

The approved plan calls for a high school, junior high school, and five elementary schools. The San Dieguito Union High School District is given credit for 2/3 of a high school (Torrey Pines) and will be permitted to take the monies for 2/3 of a high school elsewhere in their school district. It is important to note, however, that the Master Plan is premised upon providing a mechanism to fund all school facilities which may be reasonably needed within the North City West community planning area.

The Master Plan describes the concept of a shared school-park for the elementary schools. It also identifies the number of area students recommended prior to the opening of each new elementary school, and in the case of middle and high schools, the phases of each of the schools.

The Master Plan adopts State funding as the primary mechanism for funding the needed schools. In the event sufficient State funding was not available, a developer fee deposit alternative for new residential construction was identified. School fees were not authorized for residential additions or for commercial and industrial construction.

Each year the Master Plan is reviewed along with an updated assessment of the facility needs of each school district. This document, along with any recommended annual adjustment of the developer direct deposit fees, is reviewed by the City Council each year.

1981-82 The City realizes that they do not have the expertise or administrative staff to manage the Master Plan. David H. Thompson, Esq., a member of the Board of Trustees of the San Diego Union High School District and considered the “Father of the North City West School Facilities Master Plan,” coordinates the formation of the Joint Powers Authority (JPA) titled “North City West School Facilities Financing Authority”, consisting of the three school districts, to manage the Master Plan. Dr. Rodney E. Phillips, then a District administrator with the San Dieguito Union High School District, is contracted with to serve as the manager of the JPA.

1983 On July 5, 1983, the City of San Diego approves the “Joint Exercise of Powers Agreement Creating the North City West School Facilities Financing Authority” entered into on April 15, 1983, by three member districts. The governance of the JPA is a Board of Directors composed of an appointed representative and an alternate from each of the three participating school districts. The respective school district Superintendents traditionally serve as the alternates and have voting rights in the event their representative is absent. The City of San Diego and the County Superintendent of Schools may each appoint an Ex-Officio member of the governing Board and an alternate to serve without vote.

The North City West School Facilities Financing Authority is later specifically exempted from developer fee limitations imposed by the State legislature in 1986, by section GC65974 of the Government code.

1978-88 Developers build approximately 4,000 homes in North City West and pay over \$20 million into the JPA. The JPA puts \$10.6 million into: the expansion of Torrey Pines High School to finish the school plant building and locating numerous mobile classrooms; building Solana Highlands Elementary School; and to a future school site for the Del Mar Union School District.

The Master Plan calls for the districts to investigate other sources of funding for facilities rather than the Direct Deposit method. Studies begin in earnest in 1986 concerning the possible formation of a Mello-Roos District.

- 1988 A Mello-Roos Community Facilities District is formed, the major provisions being:
- A. Authorization for the sale of up to \$80,000,000 in Municipal Bonds.
  - B. Authorization for a one-time Special Tax of \$2,400 per single family residence and \$1,680 per multi-family residence. The developer pays the onetime Special Tax prior to issuance of the City building permit. There is no Special Tax on commercial or industrial (non-residential) development.
  - C. Authorization for an annual Special Tax ranging from \$452 to \$1,244 per residence based upon habitable square feet. The tax is added as a special assessment to the property owners' County tax bill beginning in the fiscal year following the issuance of the City building permit.
  - D. Authorization of funding for 2/3 of a High School, a Junior High School, 31/2 Elementary Schools, and 12 mobile classrooms as needed.

Approximately 96% of the future planned Carmel Valley residential sites are included in this Mello-Roos district. The remaining 4% of future residential sites are outside the Mello-Roos district and are subject to the Master Plan direct deposit fees.

- 1989 In May, 1989, \$46,265,000 of Mello-Roos Bonds (Series 89A) were issued and sold. Monies were placed in a Guarantee Investment Contract (GIC) with Morgan Guaranty Bank. These bonds were not insured. The net effect of the GIC was that the annual Special Tax receipts must be in hand in order to make bond funds available, providing solid security for the bondholders.

The 89A Bonds were refunded in September of 1995 (now Series 95B) to take advantage of lower bond interest rates. The 95B Bonds are fully insured, rated AAA by S&P and AAA by Moody's and do not require a GIC.

- 1991 North City West is renamed Carmel Valley.

- 1997 In September, 1997, an additional \$33,735,000 of Mello-Roos bonds (Series 97C) were issued and sold, completing the \$80,000,000 authorization. They are also fully insured and rated AAA by S&P and AAA by Moody's.

On October 8, 1997, the JPA forms Mello-Roos Community Facilities District (CFD) No. 2. The maximum bonding authorization is set at \$50,000,000. CFD No. 2 provides for residential parcels not originally included in CFD No. 1, but within the Carmel Valley boundaries, and needing annexation into a new CFD.

- 2001-02 The JPA developed a Facilities Funding Agreement, approved on September 1, 2002, that identified and prioritized the remaining schools and school expansion projects needed through Carmel Valley area residential buildout. This unique document

identifies the project cost estimates, and along with Board Resolution 02-02, approved September 13, 2001, identifies funds to be spent on the projects.

In September, 2002, new Subordinate Special Tax Revenue bonds (Series 2002) in the amount of \$21,857,921 were issued. Fully insured, these bonds are also rated AAA and AAA.

2005 In August, 2005, new Series 2005A bonds in the amount of \$17,665,000 were issued. In addition, the outstanding 1995B and 1997C bonds were refunded and replaced by 2005B and 2006C bonds.

As of July 1, 2006 (18 years after CFD No. 1 approval), 8,531 dwelling units were in the North City West CFD Nos. 1 & 2. Along with the approximately 4,000 homes built prior to 1989, there were then over 12,500 dwelling units in Carmel Valley.

2010 The Direct Deposit Fee Schedule was updated through June 30, 2018. The 4% per year increase in fees through FY 2018 represent the same annual rate of increase as the prior existing fee schedule.

1989-2012 Key Accomplishments:

- A. Carmel Del Mar Elementary School in the Del Mar Union School District opened in September of 1992.
- B. Carmel Creek Elementary School in the Solana Beach School District opened in September of 1994.
- C. La Costa Canyon High School opened in September of 1996. The San Dieguito Union High School District converted their State school construction application for a 50-50 shared cost and received State funding.
- D. Ashley Falls Elementary School in the Del Mar Union School District opened in September of 1998. State funding, 50-50, was approved and funds were received.
- E. Carmel Valley Middle School in the San Dieguito Union School District opened in September of 1999. State funding, 50-50, was approved and funds were received.
- F. Sage Canyon Elementary School in the Del Mar Union School District opened in September of 2000. State funding was received.
- G. Solana Pacific Elementary School in the Solana Beach School District opened in September of 2004. State funding was received.
- H. Thirty-nine mobile classrooms added to various schools.
- I. Classroom additions to accommodate State class size reduction programs were made to Solana Highlands, Carmel Creek, Ashley Falls and Sage Canyon Elementary Schools, and Torrey Pines High School. State funding was received to offset a portion of the costs.

State school bond issues approved in 1998, 2002 and 2003 were sources of significant school funding.