

COMMUNITY FACILITIES DISTRICTS UPDATE:

THE STATUS OF FUNDING A CFD'S OBLIGATION
AND SETTING THE ANNUAL SPECIAL TAX RATES
FOR FISCAL YEAR 2018-19

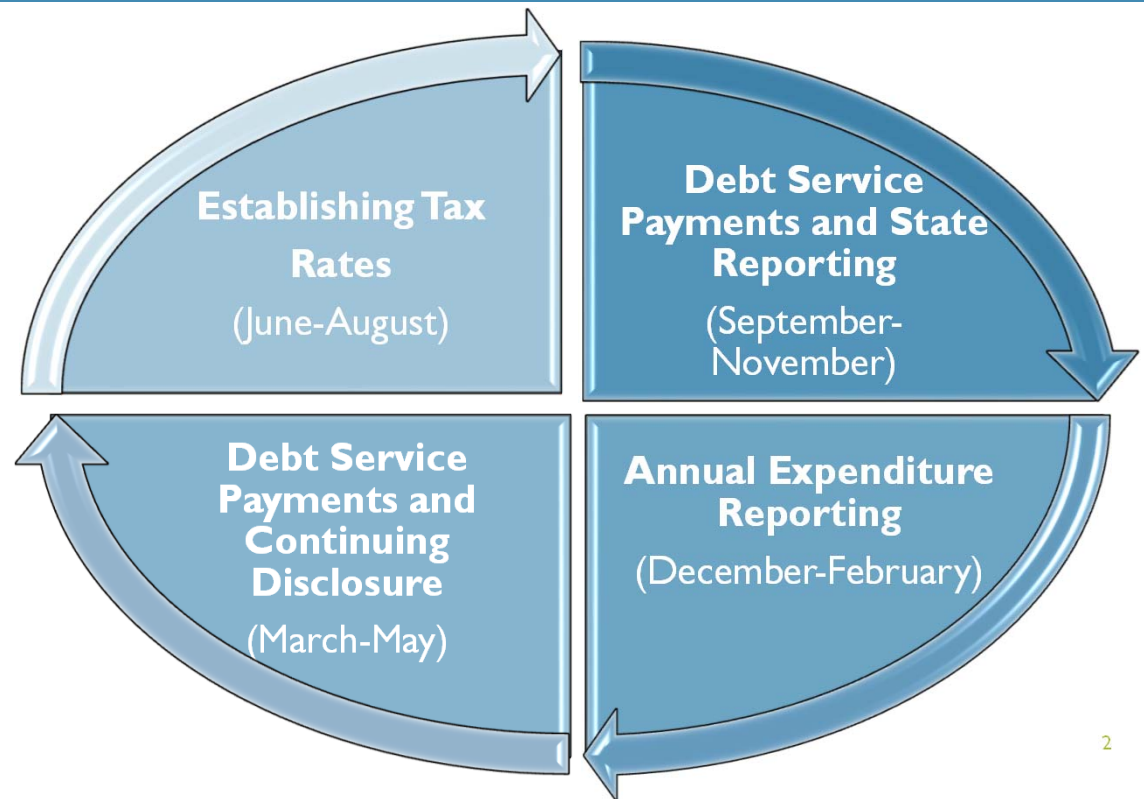
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COMMUNITY FACILITIES DISTRICT CONSULTANT

JULY 9, 2018

ANNUAL ADMINISTRATIVE CYCLE

The district's annual Community Facilities Districts (CFD's) administrative cycle continues year round.



STATUS UPDATE ON THE CFDS: CHANGES FROM JULY 2017

- Fiscal Year 2017-18 was the last year of the special tax levy for CFD No. 2. Each of the properties within the CFD has paid for the full 25-year term of the special tax. At the July 23rd Board meeting, a resolution and the first reading of an ordinance will be presented to end the CFD and request related actions be taken to remove the special tax lien currently recorded against the properties within CFD No. 2.
- New Building Permits: An estimated 1,337 new Dwelling Units were permitted thru May 2018.
- Prepayments: Apartment projects within CFD 6 and 20 have prepaid their obligation in full (452 dwelling units) along with several individual prepayments.
- District staff began negotiations with HomeFed with respect to property owned and developed by its related company, the Otay Land Company, LLC, for the purpose of developing a School Facility Mitigation Agreement and forming CFD No. 21.

PROJECTED FISCAL YEAR 2018-19 LEVIED DWELLING UNITS

Community Facilities District	Fiscal Year 2017-18	Projected FY 2018-19	Difference in Levied Dwelling Units FY 2017-18 to Projected FY 2018-19			
	Taxable DU's	Taxable DU's	Difference	Term Ended	Prepaid 2017-18	New DUs
1 - Eastlake	6,681	6,573	(108)	139	1	32
2 - Bonita Long Canyon	2	0	(2)	2	0	0
3 - Rancho Del Ray	2,584	2,517	(67)	65	2	0
4 - Sunbow	1,506	1,505	(1)	0	1	0
5 - Annexable	574	460	(114)	114	0	0
6 - Village Development	3,658	3,478	(180)	0	180	0
8 - Coral Gate	499	499	0	0	0	0
9 A/B - Ocean View/Dennery Ranch	1,971	2,126	155	0	0	155
10 - Annexable	2,254	2,277	23	0	1	24
11 - Lomas Verde	2,220	2,220	0	0	0	0
12 - Village One West	909	909	0	0	0	0
13 - San Miguel Ranch	1,312	1,312	0	0	0	0
14 - Village 11	2,008	2,008	0	0	0	0
15 - Village 6	1,537	1,537	0	0	0	0
16 - Village 7	759	759	0	0	0	0
17 - Portion of Villages 2 and 7	1,725	1,725	0	0	0	0
18 - Millenia	171	423	252	0	0	252
19 - IAI/2 - PA12 and Portion of V2	64	317	253	0	0	253
20 - Village 3 North	111	460	349	0	272	621
Total	30,545	31,105	545	320	457	1,337 ⁴

INITIAL CALCULATION OF THE SPECIAL TAX RATES:

ANNUAL ESCALATOR'S AFFECT ON THE ORIGINAL SPECIAL TAX RATES

- Each CFD has its own Rate and Method of Apportionment (“RMA”), which establishes the Initial Special Tax rate for developed property and details if future Maximum Special Tax rates will have an escalator or are flat.
- Maximum Tax Rate: All our CFDs were established to include an annual adjustment of +2% on Developed Property.
- Actual Special Tax Rate: Determined by analyzing current funding obligation. None of the CFDs were able to be negotiated with a Special Tax rate that covered 100% of the impact of a new residential Dwelling Unit at the time of formation.

Funding the Impact on New School Facilities Middle and High School (2018) from One Dwelling Unit: \$34,928

Assumed financing costs of 14%, an interest rate of 5% and annual per parcel administrative costs of \$47, the initial tax rates would need to be as follows:

Tax Term (Years)	Escalator	Initial Tax Rate	Average Tax Rate	Escalator	Annual Tax Rate
25	2.00%	\$2,410	\$3,075	0.00%	\$2,929
30	2.00%	\$2,144	\$2,883	0.00%	\$2,689
35	2.00%	\$1,958	\$2,777	0.00%	\$2,527

SETTING THE ANNUAL SPECIAL TAX RATES: METHODOLOGY SUMMARY

Evaluation of New Construction Obligation in Seats

Obligation (Dwelling Units times Student Generation Rate)

Seats Funded through Principal Paid from Debt and Pay Go



Evaluation of Capital Projects that Extend the Useful Life Obligation

Obligation (Projected Students times Cost per Student)

Capital Projects Funded through Pay Go






Determination of Special Tax Requirement for Fiscal Year 2018-19

Unfunded New Construction + Unfunded Capital Projects that Extend the Useful Life

Setting of Maximum and Actual Special Tax Rates per CFD

METHODOLOGY OF NEW CONSTRUCTION OBLIGATION: DETERMINED IN SEATS

Example: CFD No. 4						
Dwelling Unit Type	Detached Home		Attached Home		Apartment Home	
Dwelling Units at Buildout	1,413		427		492	
Number of Students per Home (“SGR”)	Middle 0.1154	High 0.2548	Middle 0.0734	High 0.1622	Middle 0.0712	High 0.1504
Projected Students	163	360	31	69	35	74
Total Seat Obligation by School Type	Middle: 229 Seats / High: 503 Seats					

NEW CONSTRUCTION FUNDING: DEBT PROCEEDS AND PAY GO FUNDING OF SEATS

Example: HS #10 Eastlake High School

Fund Status	Debt Proceeds ⁽¹⁾⁽²⁾	Pay Go	Total	Percent	CFD Share of Total Seats ⁽³⁾
Paid	\$23,704,812	\$4,259,277	\$27,964,088	96.66%	2,261
Outstanding	\$965,601		\$965,601	3.34%	78
Total⁽⁴⁾	\$24,670,413	\$4,259,277	\$28,929,689	100.00%	2,339

(1) Per the Board Approved Cost Allocation Plan, Bond Payments are allocated to each CFD based on the current year levy of the Special Tax.

(2) Includes both Debt Proceeds and Interest Earned on Proceeds.

(3) Benchmark established in 2016 based on a review of the funding sources and enrollment from the Fall of 2015 established allocated seats.

(4) Totals may not sum due to rounding.

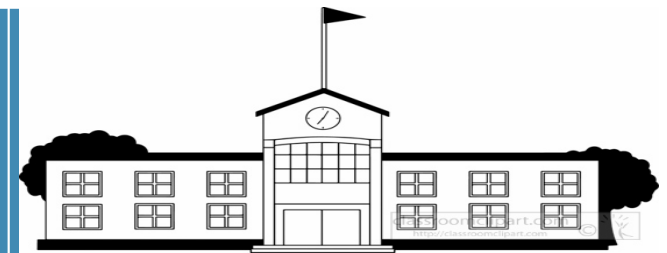
NEW CONSTRUCTION OBLIGATION & FUNDING: SUMMARY BY CFD

CFD No.	Projected Students Middle School	Projected Students High School	Projected Funded Seats Middle School	Projected Funded Seats High School	Unfunded Seats Middle School	Unfunded Seats High School	Unfunded Seat Obligation
1	954	2,106	830	1,586	124	520	\$72,161,555
2	49	108	53	109	0	0	\$0
3	401	881	313	614	88	267	\$39,330,032
4	229	503	150	267	80	236	\$34,925,222
5	103	228	94	161	9	67	\$8,606,600
6	399	874	263	467	136	406	\$60,040,280
8	58	127	3	39	55	88	\$15,413,854
9A	0	784	0	177	0	607	\$70,563,663
9B	109	0	19	0	91	0	\$8,537,649
10	230	507	23	229	207	278	\$51,740,267
11	212	464	159	291	53	173	\$25,137,683
12	105	232	68	122	37	110	\$16,188,339
13	134	295	74	136	59	159	\$24,076,459
14	231	509	132	247	99	262	\$39,732,898
15	131	288	79	146	52	142	\$21,424,013
16	78	173	64	115	15	58	\$8,129,604
17	246	538	70	123	177	415	\$64,844,075
18	223	486	3	5	221	481	\$76,698,608
19	225	489	0	1	225	489	\$77,999,440
20	127	278	4	9	122	269	\$42,798,537
Total*:	4,244	9,872	2,399	4,846	1,849	5,027	\$758,348,779

* Seat counts shown above have not been rounded. Totals may not sum due to rounding.

METHODOLOGY OF FUNDING CAPITAL PROJECTS TO EXTEND THE USEFUL LIFE: DETERMINED PER STUDENT

Calculation of the Cost per Student (2018)



School Level	Middle School	High School
Estimate of Cost	\$141,175,000	\$278,971,000
Reduced by Non-Reoccurring Cost	(\$37,224,000)	(\$79,382,400)
Net Cost	\$103,951,000	\$199,588,600
State Factor (for modernization)	50%	50%
Estimate Cost	\$51,975,500	\$99,794,300
Design Capacity	1,500	2,400
Cost per Student to Extend the Life	\$34,651	\$41,581

EXTENDING THE USEFUL LIFE OF CAPITAL PROJECTS: EXAMPLE CFD NO. 4

Students Generated / Seats Needed:	DU	Middle	High	Total
Total Projected DU / Students Generated:	2,332	229	503	733

EXTENDING THE USEFUL LIFE OF CAPITAL PROJECTS: OBLIGATION

Cost per Student to Extend the Life		\$34,651	\$41,581	Total
Obligation of CFD No. 4		\$7,935,079	\$20,915,243	\$28,877,305

EXTENDING THE USEFUL LIFE OF CAPITAL PROJECTS: STATUS OF FUNDING

Funded Capital Projects that Extend the Useful Life ⁽¹⁾	\$960,622
Remaining Obligation to Fund Capital Projects that Extend the Useful Life	\$27,916,684
(1) Actual, Estimated and Budgeted Funding through June 30, 2019.	

CAPITAL PROJECTS THAT EXTEND THE USEFUL LIFE OBLIGATION: SUMMARY BY CFD

CAPITAL PROJECTS THAT EXTEND THE USEFUL LIFE OBLIGATION

CFD No.	Middle School Student	High School Student	Total Students	Capital Projects that Extend the Useful Life Obligation	Obligation per Dwelling Unit
1	954	2,106	3,060	\$120,640,516	\$12,644
2	49	108	157	\$6,173,078	\$14,594
3	401	881	1,282	\$50,525,786	\$12,909
4	229	503	733	\$28,877,305	\$12,383
5	103	228	331	\$13,062,918	\$12,985
6	399	874	1,272	\$50,147,976	\$12,459
8	58	127	185	\$7,282,189	\$14,594
9A*	0	784	784	\$32,605,675	\$8,182
9B*	109	0	109	\$3,788,657	\$3,189
10	230	507	737	\$29,036,566	\$12,527
11	212	464	676	\$26,635,615	\$11,998
12	105	232	337	\$13,265,550	\$14,594
13	134	295	429	\$16,921,003	\$12,877
14	231	509	740	\$29,176,740	\$12,752
15	131	288	419	\$16,509,047	\$10,741
16	78	173	252	\$9,919,863	\$13,070
17	246	538	784	\$30,908,995	\$11,094
18	223	486	709	\$27,953,616	\$9,371
19	225	489	715	\$28,154,922	\$10,455
20	127	278	405	\$15,954,909	\$12,563
Total/Average**	4,244	9,872	14,116	\$557,540,925	\$12,420

* The average has been adjusted to use the sum of the obligation per dwelling unit for CFD 9A and CFD 9B. ** Totals may not sum due to rounding.

CAPITAL PROJECTS THAT EXTEND THE USEFUL LIFE OBLIGATION: NET UNFUNDED BY CFD

CFD No.	Capital Projects that Extend the Useful Life Obligation	Funding of Capital Projects to Extend the Useful Life	Remaining Obligation
1	\$120,640,516	\$6,872,631	\$113,767,884
2	\$6,173,078	\$330,161	\$5,842,916
3	\$50,525,786	\$3,888,457	\$46,637,328
4	\$28,877,305	\$960,622	\$27,916,684
5	\$13,062,918	\$796,452	\$12,266,466
6	\$50,147,976	\$2,262,478	\$47,885,498
8	\$7,282,189	\$23,944	\$7,258,245
9A	\$32,605,675	\$526,098	\$32,079,577
9B	\$3,788,657	\$47,400	\$3,741,257
10	\$29,036,566	\$966,643.58	\$28,069,923
11	\$26,635,615	\$529,666	\$26,105,949
12	\$13,265,550	\$123,057	\$13,142,492
13	\$16,921,003	\$988,508	\$15,932,495
14	\$29,176,740	\$526,951	\$28,649,789
15	\$16,509,047	\$348,572	\$16,160,475
16	\$9,919,863	\$851,439	\$9,068,424
17	\$30,908,995	\$920,346	\$29,988,648
18	\$27,953,616	\$34,216	\$27,919,400
19	\$28,154,922	\$0	\$28,154,922
20	\$15,954,909	\$0	\$15,954,909
Total*	\$557,540,925	\$20,997,643	\$536,543,282

* Totals may not sum due to rounding.

**VERIFYING THE
NEED FOR THE
SPECIAL TAXES:

OUTSTANDING
OBLIGATION BY
CFD TO
JUNE 30, 2019**

CFD No.	Total Cost (2018) of Unfunded Seat Obligation	Unfunded Capital Projects that Extend the Useful Life Obligation	Outstanding Obligation as of June 30, 2019
1	\$72,161,555	\$113,767,884	\$185,929,439
2	\$0	\$5,842,916	\$5,842,916
3	\$39,330,032	\$46,637,328	\$85,967,361
4	\$34,925,222	\$27,916,684	\$62,841,905
5	\$8,606,600	\$12,266,466	\$20,873,066
6	\$60,040,280	\$47,885,498	\$107,925,779
8	\$15,413,854	\$7,258,245	\$22,672,099
9A	\$70,563,663	\$32,079,577	\$102,643,240
9B	\$8,537,649	\$3,741,257	\$12,278,907
10	\$51,740,267	\$28,069,923	\$79,810,189
11	\$25,137,683	\$26,105,949	\$51,243,632
12	\$16,188,339	\$13,142,492	\$29,330,832
13	\$24,076,459	\$15,932,495	\$40,008,955
14	\$39,732,898	\$28,649,789	\$68,382,687
15	\$21,424,013	\$16,160,475	\$37,584,488
16	\$8,129,604	\$9,068,424	\$17,198,028
17	\$64,844,075	\$29,988,648	\$94,832,723
18	\$76,698,608	\$27,919,400	\$104,618,008
19	\$77,999,440	\$28,154,922	\$106,154,362
20	\$42,798,537	\$15,954,909	\$58,753,446
Total	\$758,348,779	\$536,543,282	\$1,294,892,061

VERIFYING THE NEED FOR THE SPECIAL TAXES: PROJECTED FUND BALANCE JUNE 30, 2019

Description	Item Amount	Fund Balance
Ending Fund Balance 6/30/2017		\$128,686,744.17
Projected Special Taxes/Penalties Collected 2017-18	\$24,519,981.90	\$153,206,726.07
Projected Interest Earned / Misc Revenue 2017-18	\$633,193.24	\$153,839,919.31
Projected Debt Service Paid 2017-18	(\$12,983,506.95)	\$140,856,412.36
Projected Administrative Charges 2017-18	(\$245,476.53)	\$140,610,935.83
Projected Construction Oversight 2017-18	(\$272,833.67)	\$140,338,102.16
Projected Pay Go Expenses 2017-18	(\$3,404,533.51)	\$136,933,568.65
Projected Fund Balance 6/30/2018		\$136,933,568.65
Recommended Special Taxes 2018-19	\$27,276,096.20	\$164,209,664.85
Budgeted Interest Earned 2018-19	\$500,000.00	\$164,709,664.85
Budgeted Projected Debt Service Paid 2018-19	(\$11,936,425.00)	\$152,773,239.85
Budgeted Administrative Charges 2018-19	(\$590,749.50)	\$152,182,490.35
Budgeted Construction Oversight 2018-19	(\$196,965.85)	\$151,985,524.50
Budgeted Pay Go Expenses 2018-19	(\$8,897,546.98)	\$143,087,977.52
Projected Fund Balance 6/30/2019		\$143,087,977.52

VERIFYING THE
NEED FOR THE
SPECIAL TAXES:

UNFUNDED
NEW
CONSTRUCTION
OBLIGATION LESS
FUND BALANCE

CFD No.	Outstanding Obligation as of June 30, 2019	Projected Fund Balance June 30, 2019	Remaining Funding Obligation
1	\$72,161,555	\$37,777,562	\$34,383,993
2*	\$0	\$1,797,509	NA
3	\$39,330,032	\$10,190,015	\$29,140,017
4	\$34,925,222	\$7,496,756	\$27,428,466
5	\$8,606,600	\$3,768,554	\$4,838,046
6	\$60,040,280	\$12,874,128	\$47,166,152
7**	NA	610276.73	NA
8	\$15,413,854	\$1,609,570	\$13,804,284
9A	\$70,563,663	\$13,330,399	\$57,233,264
9B	\$8,537,649	\$3,681,112	\$4,856,537
10	\$51,740,267	\$10,004,332	\$41,735,935
11	\$25,137,683	\$7,729,941	\$17,407,742
12	\$16,188,339	\$3,670,286	\$12,518,053
13	\$24,076,459	\$2,898,730	\$21,177,729
14	\$39,732,898	\$7,842,381	\$31,890,517
15	\$21,424,013	\$3,916,780	\$17,507,233
16	\$8,129,604	\$2,471,933	\$5,657,671
17	\$64,844,075	\$7,131,398	\$57,712,677
18	\$76,698,608	\$3,856,248	\$72,842,360
19	\$77,999,440	\$107,476	\$77,891,964
20	\$42,798,537	\$402,592	\$42,395,945
Total***	\$758,348,779	\$140,760,192	\$617,588,585

* The term of the Special Tax for CFD 2 has ended. The fund balance will be used to fund capital projects that extend the useful life. ** New Construction Obligation not determined. Shown here to verify total Projected Fund Balance utilized. *** Totals may not sum due to rounding.

SETTING THE ANNUAL SPECIAL TAX RATES: BY RESOLUTION

County Requirements:

- The County of San Diego requires a Resolution be adopted annually to allow for the application of the Special Taxes onto the property tax bill.
- The deadline for application and resubmittal of any rejected charge is August 10th.

Resolution Purposes:

- Establishes the maximum Special Tax rate for properties in which the first or initial fiscal year of taxation is fiscal year 2018-19, and for existing developed properties which were taxed in previous years.
- Establishes the actual Special Tax, as a percentage of the maximum rate, to be levied in fiscal year 2018-19 for each CFD.

SETTING THE ANNUAL SPECIAL TAX RATES: THE MAXIMUM SPECIAL TAX RATES

- Pursuant to the provisions of each Rate and Method of Apportionment (“RMA”), the base maximum Special Tax rate, as shown in the RMA, is adjusted annually by the greater of the Building Cost Index or 2%.
- The resulting base maximum Special Tax rate is set as the maximum Special Tax for properties which are being levied for the first time as developed property.
- After the initial year of taxation, taxable properties within the CFDs are subject to an annual adjustment of 2% as set forth in each RMA.
- At the time debt was issued, the District entered into a Pledge Agreement(s) which pledged the Special Taxes of CFDs 1-15 to the repayment of the debt. It is allowable to allocate the debt service payments to all levied CFDs (CFDs 1-20) per the Cost Allocation Plan and CFD Formation Documents.

SETTING THE ANNUAL SPECIAL TAX RATES: HISTORICAL APPLIED SPECIAL TAX RATES

- From 1987 to 2012, the Board set the applied Special Tax rates in all CFDs equal to the maximum Special Tax rates as described.
- In 2013, for the fiscal year 2013-14 levy, the Board established the maximum Special Tax rates for all CFDs as described, but set the applied Special Tax rate for all CFDs at approximately 2% less than the maximum (98.04%).
- In the following two years, to be applied to the fiscal year 2014-15 and 2015-16 levy, the Board again established the maximum Special Tax rates for all CFDs as described. The Board adjusted the applied Special Tax rates by 2% resulting in the applied Special Tax rate for all CFDs to be levied again at approximately 2% less than the maximum (98.04%).

SETTING THE ANNUAL SPECIAL TAX RATES: HISTORICAL APPLIED SPECIAL TAX RATES CONTINUED

- In June of 2016, the Community Facilities District Master Plan Project provided a Financial Statement for each CFD. This plan also provided a mechanism for the funding obligation of each CFD to be determined, and allowed the analysis of setting the tax rates to be done on each CFD individually.
- In August of 2016, for the fiscal year 2016-17 levy, and July of 2017, for the fiscal year 2017-18 levy, the Board established the maximum Special Tax rates for all CFDs as described and set the actual Special Tax rate as follows:
 - 1) **For CFDs that have fully funded their New Construction Obligation, no indexing was applied to the current Special Tax rates.** (No Escalation) This category was only applied to CFD No. 2 for both fiscal years.
 - 2) **For CFDs that have not fully funded their New Construction Obligation, indexing was applied to the current Special Tax rates as follows:**
 - i. **For CFDs that have less than 80% of the projected dwelling units issued, apply the maximum Special Tax (Maximum Levied).** This category was applied in fiscal year 2016-17 to CFD Nos. 17 and 18 and in fiscal year 2017-18 to CFD Nos. 18, 19 and 20 (100.00% of the maximum levied).
 - ii. **For CFDs that have more than 80% of the projected dwelling units issued, apply a 2% escalation.** This was applied to the remaining CFDs. For fiscal year 2016-17 this was applied to CFD Nos. 1, 3, 4, 5, 6, 8, 9A, 9B, 10, 11, 12, 13,²⁰ 14, 15 and 16; and for fiscal year 2017-18 this was applied to the same CFDs with the addition of CFD 17 as the development within CFD 17 increased to greater than 80% (98.04% of the maximum levied).

DEVELOPMENT STATISTICS / OBLIGATION STATUS:

CFD No.	Development Statistics Built out Yes/No - (% Built)	Remaining Term of the Special Taxes	New Construction Obligation Funded	Obligation to Fund Capital Projects to Extend the Useful Life
1	NO (99.91%)	Unknown	Not Funded	Not Funded
2	YES	Complete	Funded	Not Funded
3	NO (99.82%)	Unknown	Not Funded	Not Funded
4	YES	9 Years	Not Funded	Not Funded
5	NO (97.82%)	Unknown	Not Funded	Not Funded
6	YES	10 Years	Not Funded	Not Funded
8	YES	7 Years	Not Funded	Not Funded
9A	NO (85.29%)	Unknown	Not Funded	Not Funded
9B	YES	24 Years	Not Funded	Not Funded
10	NO (98.79%)	Unknown	Not Funded	Not Funded
11	YES	12 Years	Not Funded	Not Funded
12	YES	10 Years	Not Funded	Not Funded
13	YES	18 Years	Not Funded	Not Funded
14	NO (98.12%)	Unknown	Not Funded	Not Funded
15	YES	21 Years	Not Funded	Not Funded
16	YES	25 Years	Not Funded	Not Funded
17	NO (78.61%)	Unknown	Not Funded	Not Funded
18	NO (36.61%)	Unknown	Not Funded	Not Funded
19	NO (12.77%)	Unknown	Not Funded	Not Funded
20	NO (57.64%)	Unknown	Not Funded	Not Funded

STAFF RECOMMENDATIONS: FISCAL YEAR 2018-19 SPECIAL TAX RATES

Staff recommends the same categories be utilized for setting the Special Tax rates for the 2018-19 Fiscal Year. These categories are the same as those applied in fiscal years 2016-17 and 2017-18.

- 1) **For CFDs that have fully funded their New Construction Obligation, no indexing be applied to the current Special Tax rates.** (No Escalation) For Fiscal Year 2018-19 no CFDs fall into this category as CFD No. 2 will no longer be levied.
- 2) **For CFDs that have not fully funded their New Construction Obligation, apply a 2% escalation to current Special Tax rates as follows.** This would be applied to the remaining CFDs (CFD Nos. 1, 3, 4, 5, 6, 8, 9A, 9B, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 IA1, 19 IA2 and 20). CFD Nos. 1, 3, 4, 5, 6, 8, 9A, 9B, 10, 11, 12, 13, 14, 15 and 16 would be taxed at 98.04% of the maximum and CFD Nos. 17, 18, 19 IA1, 19 IA2 and 20 would be taxed at 100% of the maximum.



QUESTIONS