

Sweetwater Union High School District

Community Facilities Districts Annual Update Determining the Status of Funding a CFD's Obligation and Setting the Annual Special Tax Rates for Fiscal Year 2017/18

July 10, 2017

Presentation Summary

Impact from New Development:

A summary of the fiscal impact from new residential development on school facilities has been updated, along with an example of funding such impact through CFD Special Taxes. Although the impact differs based on housing type, the average impact per dwelling unit has increased over \$382 in one year. This 1.5% increase was primarily caused by an increase in cost of land.

CFD Status Update:

The District has completed the formation of two new CFDs. These two CFDs will contain approximately 3,945 dwelling units and generate an estimated 1,232 new students. The tables below summarize the impact from the formation of CFD No. 19 on the existing CFD Nos. 1 and 17. In addition, the 2005A Special Tax Revenue Bonds and the 2005 Refinancing Certificates of Participation were paid off or refunded with the issuance of the 2017 Refunding Certificates of Participation. In the past 12 months there have been approximately 884 new dwelling units permitted within the boundaries of the CFDs as detailed below.

CFD No. 1 Modifications:	Dwelling Units	Projected Students
2016 (prior to CFD 19)	10,141	3,115
2017 (after CFD 19)	9,541	2,950
Net Change	600	165

CFD No. 17 Modifications:	Dwelling Units	Projected Students
2016 (prior to CFD 19)	4,906	1,505
2017 (after CFD 19)	2,540	782
Net Change	2,366	723

Projected Fiscal Year 2017-18 Levied Dwelling Units

CFD	Levied FY 16/17 D/Us	Levied FY17/18 D/Us	Difference	Term Ended	Prepaid In FY 2016/17	New D/Us
1	6,891	6,681	(210)	210	0	0
2	39	2	(37)	37	0	0
3	2,763	2,584	(179)	179	1	1
4	1,506	1,506	0	0	0	0
5	754	574	(180)	180	0	0
6	3,658	3,658	0	0	0	0
8	499	499	0	0	0	0
9A / 9B	1,681	1,954	273	0	0	273
10	2,245	2,261	16	0	0	16
11	2,220	2,220	0	0	0	0
12	909	909	0	0	0	0
13	1,312	1,312	0	0	0	0
14	2,008	2,008	0	0	0	0
15	1,537	1,537	0	0	0	0
16	759	759	0	0	0	0
17	1,667	1,736	69	0	0	69
18	42	467	425	0	309	116
19	0	16	16	0	0	16
20	0	84	84	0	0	84
Totals	30,490	30,767	277	606	310	575

New Construction Obligation: Facilities Seat Impact and Status:

Similar to last year, an update of the new construction obligation analysis was done through the calculation of the facility capacity needs and funding per CFD per school level, or seat. In draft form shown below, other than CFD No. 2, each of the CFDs has a requirement to fund additional new construction obligation. This remains true when taking into account the fund balance in each respective CFD.

**New Construction Impact and Unfunded Obligation
Including Recommended Fiscal Year 2017-18 Levy**

CFD No.	Projected Middle School	Projected High School	Funded Middle School	Funded High School	Unfunded Middle School	Unfunded High School	Unfunded Seat Obligation
1	950	2,000	747	1,499	203	501	\$61,567,148
2	48	103	50	107	0	0	\$0
3	450	843	283	585	167	257	\$35,194,249
4	278	481	135	253	143	229	\$30,909,253
5	104	217	88	156	16	61	\$6,606,964
6	496	837	234	439	262	398	\$54,718,375
8	0	122	0	38	0	84	\$7,571,369
9A	0	715	0	160	0	554	\$49,786,498
9B	177	0	14	0	163	0	\$11,773,953
10	0	481	0	220	0	261	\$23,481,438
11	255	443	140	271	115	172	\$23,699,629
12	102	222	60	114	42	109	\$12,822,491
13	130	281	65	126	65	155	\$18,674,197
14	251	486	115	228	136	258	\$33,050,207
15	150	271	68	135	82	136	\$18,176,340
16	76	165	55	104	22	61	\$7,043,926
17	316	467	58	106	257	361	\$51,061,665
18	326	463	1	2	325	462	\$64,960,975
19	360	453	0	0	360	453	\$66,522,894
20	127	205	1	1	126	204	\$27,387,507
Total:	4,593	9,256	2,112	4,543	2,483	4,716	\$605,009,080

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

Capital Projects that Extend the Useful Life of School Facilities:

Funding of capital projects that extend the useful life of school facilities is key to maintaining the life expectancy. The obligation to fund such, as overviewed in the past, has been updated to reflect increased school facilities costs and the resulting obligation to fund such projects was updated. The total projected capacity needs in each CFD is multiplied by a cost per student to determine this funding obligation. The obligation has been reduced by funds expended (actuals and estimated actuals) to June 30, 2017. Again, taking into account the respective fund balance for each CFD, no CFD has funded the obligation to pay for capital projects that extend the useful life of school facilities.

Indexing the Special Tax Rates – Determined for the Initial Fiscal Year of Taxation and Subsequent to the Initial Fiscal Year:

Indexing of the Special Taxes is set forth in the Rate of Method of Apportionment (“RMA”) for each CFD. Pursuant to the RMA, the base maximum Special Tax rate, as shown in the RMA, increases annually by the greater of the Building Cost Index or 2%. After the initial year of taxation, taxable properties within the CFDs are subject to an annual increase of 2% as set forth in each RMA.

Historical Special Tax Rates for the District’s CFDs:

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 two years following, 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 increased 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%).

In June of 2016, the Community Facilities District Master Plan Project provided a Financial Statement for each CFD. This allowed for the funding obligation of each CFD to be determined and allowed for 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, the Board established the maximum Special Tax rates for all CFDs as described and set the actual Special Tax rate as follows:

- For CFDs that have fully funded their New Construction Obligation, no indexing be applied to the current Special Tax rates (No Escalation). This was only applied to CFD No. 2 (96.12%).
- For CFDs that have less than 80% of the projected dwelling units issued, apply the maximum Special Tax (Maximum Levied). This was applied to CFD Nos. 17 and 18 only (100.00%).
- For CFDs that have more than 80% of the projected dwelling units issued, apply a 2% escalation. This was applied to the remaining CFDs (CFD Nos. 1, 3, 4, 5, 6, 8, 9A, 9B, 10, 11, 12, 13, 14, 15 and 16) (98.04%).

The Resolution to Set the Special Tax Rates for Fiscal Year 2017-18:

The Resolution for the 2017-18 fiscal year levy will be presented to the Board for consideration on July 24, 2017. As a first read, staff is recommending the following:

The maximum special tax for all CFDs be established. This includes the initial fiscal year and subsequent fiscal year maximums.

Staff also recommends the follow three groupings that were used for setting the actual Special Tax rates for the 2016-17 Fiscal Year to be continued for the 2017-18 Fiscal Year.

- For CFDs that have fully funded their New Construction Obligation, no indexing be applied to the current Special Tax rates (No Escalation). This would be applied to CFD No. 2 only.
- For CFDs that have less than 80% of the projected dwelling units issued, apply the maximum Special Tax (Maximum Levied). This would be applied to CFD Nos. 18, 19 and 20 (2% Escalation).
- For CFDs that have more than 80% of the projected dwelling units issued, apply a 2% escalation from the prior fiscal year (2% Escalation). 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 and 17). (Since CFD No. 17 was levied at the Maximum for fiscal year 2016-17, a 2% increase would cause the levy to remain at 100%. The other listed CFDs were levied at 98.04% of the maximum, a 2% increase would keep these CFDs at 98.04% of the maximum special tax.)