

School Facility Mitigation Agreements & Community Facilities Districts

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Part 2 – October 10, 2011

Introduction

- Presenters (Alex Bowie & Andrea Roess)
- Purpose
 - Provide background on CUSD facility funding
 - Provide clarity on CUSD CFD policy/procedures
 - Set foundation for future mitigation agreements
 - Provide direction to staff & answer questions
- Two-part presentation
 1. CFD background and mechanics
 2. Existing CFDs and prospective CFD policies

Part One - Background & Mechanics

1. Facility Needs for New Development
2. Funding Sources
3. Funding Source Issues
4. Mitigation Agreements
5. Community Facilities Districts
6. Future School Facilities Funding Options
7. CFD Policy Questions



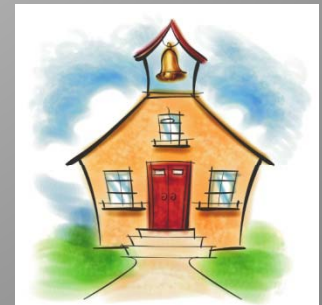
1. Facility Needs for New Development

- Development project mix (housing type)
 - Single-family dwellings
 - Multi-family dwellings
 - Age-qualified housing
 - Commercial property
- Student Generation Rates (SGR)
- Resulting Project Students



1(a). Facility Needs Cont.

- Facility needs
 - Site acquisition
 - Schools
 - Classrooms
 - Site administration and support
 - Common spaces (MPR, fields, playgrounds, gyms, etc.)
 - Interim housing
 - Central administration
 - Ancillary support facilities



1(b). Facility Needs Cont.

- CUSD Policy - What comprises a school?
 - Enrollment configuration and school size
 - K-5 + middle school vs. K-8
 - Technology components
 - Facility components by grade configuration
 - MPR, stadium, aquatic center, performing arts
- Determination of true school facility costs
- Determination of mitigation costs per dwelling unit

2. Funding Sources

- State School Facility Program
 - Grant program based on projected students
 - 50% State
 - 50% Local match
 - Reality = 35% state, 65% district
 - Legislation + bond election = funding uncertainties
- Local revenue sources
 - Developer fees
 - GO bonds
 - Mello Roos - Community Facilities Districts
 - Developer mitigation agreements



3. Funding Source Issues

- Facilities needed concurrent with students
- Fees trickle in over time and lag students
- Need \$\$ to acquire sites and build schools now
- Challenges
 - GO bonds may not be approved by voters
 - State may not have \$\$ when it's needed
- Who bears risk of uncertain funding?



4. Mitigation Agreements

- CUSD school facility cost components
 - Land acquisition
 - Interim housing
 - Defined school facilities (complete school)
 - Central admin and support
- Funding
 - Timing of receipt of funds
 - Identify who bears funding risk?
 - Mitigation payments deposited as development occurs, subject to refund from bond proceeds

5. Community Facilities Districts

- CFD Mechanics
 - Mello Roos Act
 - Land owner self encumbers property to taxes
 - CFD generates revenue for capital improvements
 - Tax revenue stream pays bond debt service
- CFDs can provide funding for:
 - Capital facilities, maintenance, repairs, etc.
 - Allowable uses depends on authorization
- CUSD's primary facility funding mechanism

6. Future School Facilities Funding Options

Assume state funding combined with:

- Developer Fees
 - Level I
 - Level II (district must qualify to levy)
 - Not typically sufficient to cover costs
- GO Bond
 - Requires voter approval
- Negotiated agreements
- Mello Roos - CFDs



7. CFD Policy Questions

- Formation of new CFDs
 - Specifically defined facilities or broadly described?
- State Funding Treatment?
- Pay-as-you-go proceeds use?
- Joint Community Facilities Agreement (JCFA)
- Maximum special tax (total effective tax rate)



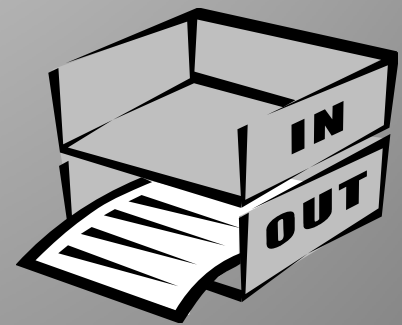
7. CFD Policy Questions Cont.

- Annual special tax levy amount
 - Maximum levy vs. only what's needed to pay debt service and administration expenses
- Term of levy (number of years)
- Escalation
- Bond sale timing



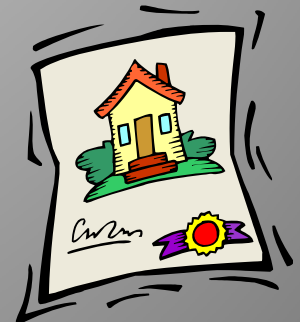
End of Part 1

- Questions
- Comments



Part Two – Existing CFDs & Prospective CFD Policies

8. Existing CUSD CFDs
9. Post Initial Facilities Policies
10. Development Projects on the Horizon
11. Policy Questions/Direction
12. Conclusion – Questions/Direction



8. Existing CUSD CFDs

- Review of Existing CUSD CFDs
 - 10 CFDs
 - Financial Information
- Authorized expenditures
 - Expenditure of Special Taxes (attachment)
- Permissible uses of CFD funds
 - Facilities that support the students residing in the areas from where the special taxes are collected.
 - Projects as defined in CFD formation documents

9. Post Initial Facilities Policies

- What to do with excess special taxes when initially anticipated projects are completed?
 - Retire outstanding bonds
 - Construct additional allowable projects
 - Additional capital projects
 - Facility Master Plan needs
 - Rehabilitation of existing facilities
 - Reduce annual tax levy
- Refunding Bonds
 - Refinancing the debt



10. Projects on the Horizon

- Rancho Mission Viejo Company
 - 14,000 units total (9 planning areas)
 - 8,000 units - market rate
 - 6,000 units - age qualified
 - Planning area #1 (Antonio Pkwy & Ortega Hwy)
 - 1,000 units (50/50 age qualified/market rate)
 - Planning area #2
 - 2,700 units (market rate)
- San Juan Hills - Pacific Communities
 - 136 units



11(a). Policy Questions/Direction

1. What comprises a school?
2. Who bears risk of uncertain state funding?
3. How will future projects be funded?
4. If through CFDs, will agreements:
 1. Specifically or generally define facilities
 2. Have facility matched tax rates or defined rates
5. What will be the term of the levy?



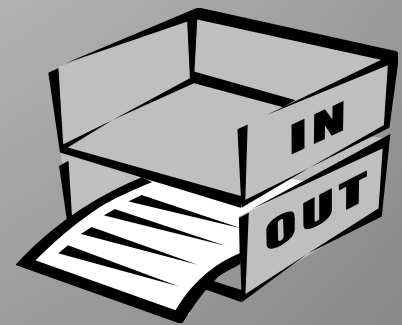
11(b). Policy Questions/ Direction Cont.

6. What to do with excess special taxes when initially anticipated projects are completed?
7. Treatment of pay-as-you-go proceeds?
8. Should projects include JCFA's?
9. Refunding considerations?



12. Conclusion

- Questions
- Comments
- Direction



The End

Thank you!

