

**Solana Beach School District
Frequently Asked Questions FAQ – Edition 1
Regarding Pacific Highlands Ranch/Potential School #8/One Paseo
Posted November 7, 2018; Updates to this Edition (if needed) and Future Editions to Follow**

Solana Beach School District (SBSD) serves approximately 2900 K-6 grade students in seven schools from the following communities: Solana Beach, Carmel Valley, Rancho Santa Fe, Fairbanks Ranch, Crosby Estates, Del Mar, and Pacific Highlands Ranch (PHR). School attendance boundaries are set by the Board of Education and may be subject to change as necessary to balance enrollment and serve new communities within the District.

The questions below have been received via email from the public and/or collected at the November 1, 2018 Community Meeting.

FINANCING SCHOOL CONSTRUCTION

1.Q. What are School Facilities Funding Models?

A. California public schools can be funded in the following ways:

- State of California School Facilities Program for New Construction and Modernization
 - Districts qualify for matching state funds for new construction if they have “eligibility” - a need based on growth, or for modernization funds once a school is 25 years old and again at 50 years old.
- Local Funding
 - General Obligation Bond (GO) – Measure JJ
 - In November 2016, voters approved a \$105M GO Bond to fund facilities projects across the District.
- Mitigation Agreements
 - Developer Fees
 - Mello-Roos/Community Facilities Districts (CFD)

2.Q. Why is SBSB not eligible for new construction funding?

A. SBSB does not qualify for new construction funding under the state funding formula because the district has more classrooms and open student seats available due to specialty program classrooms (e.g. STREAM, Music, Technology, Art, etc.).

3.Q. What about using Measure JJ dollars for construction costs (School #8/Solana Ranch)?

A. Although PHR homeowners are excluded from the additional Measure JJ tax, Solana Ranch and a potential School #8 would be eligible for use of Measure JJ dollars in the event funds are available at the conclusion of the primary project list.

4.Q. Is it typical to build a small school (350 students)?

A. No. Building a school for under 400 students is not typical and carries a higher cost per student to operate. SBSB typically constructs schools for 500-650 students with room for expansion (e.g. modular classrooms, permanent additions) if enrollment necessitates.

5.Q. What is a Community Facilities District (CFD)?

A. A CFD is a taxing district formed whereby property owners from within the district pay special taxes to fund public improvements. The special taxes are paid on annual property tax bills.

6.Q. What is the difference between a CFD and a Mello-Roos District?

A. Nothing, they are the same thing. The law is titled “The Mello-Roos Community Facilities Act of 1982”. Some people refer to the taxing district as a “CFD”, while others refer to it as a “Mello-Roos District”. Mr. Mello and Mr. Roos were the names of the state legislators that co-authored the original bill creating this type of taxing district in California.

7.Q. Are property owners in PHR part of a CFD?

A. Yes, homeowners in PHR within the boundaries of the Solana Beach School District are part of either CFD 1999-1 or 2004-1, depending on which neighborhood the property is located (see map, below). These CFDs were formed for the specific purpose of funding school facilities to benefit the student population generated as a result of the PHR development.



8.Q. What are the maturity dates of the PHR CFDs?

A. CFD 1999-1 matures in 2040; CFD 2004-1 matures in 2042.

9.Q. What can special tax money from PHR be used for?

A. By law, all tax proceeds generated from the CFDs must be used for the **benefit** of students generated within the CFDs. This does not necessarily mean **within** the CFD boundaries. But, there must be a direct correlation between the capital expenditure and the properties paying the special tax.

The formation documents for CFDs 1999-1 and 2004-1 further specify the allowable capital improvements for which tax revenue from these CFDs must be used. The formation documents specifically state that special tax revenues **must** be spent on “classrooms, on-site office space at a school, central support and administrative facilities, interim housing, and transportation facilities needed by the District in order to serve the student population to be generated as a result of development of the property within the CFD.” CFD 2004-1 further allows tax revenues to be used for furniture, equipment, technology, and busses needed to serve the student population within the CFD. Therefore, the District may use CFD tax revenues to pay for improvements to schools within the CFD boundaries or for improvements to schools outside the CFD where students from within the CFD boundaries attend school.

10.Q. What is a CFD Bond?

A. A CFD bond is a loan issued by the District and repaid by annual CFD special tax collections. Bond proceeds must be spent on capital projects that are allowable under both CFD law and the District’s specific CFD formation documents.

11.Q. Do the Pacific Highlands Ranch CFDs have bonds outstanding?

A. Yes, the District issued \$34.45 million of CFD bonds in 2012 from CFDs 1999-1 and 2004-1 to fund a portion of the cost of Solana Ranch. Bond debt service (i.e., loan payments) are approximately \$2.2 million per year through 2042.

12.Q. How did the District fund the construction of Solana Ranch?

A. Solana Ranch cost approximately \$53 million, including site acquisition, site development, design and construction. The District paid for the design, construction, and a portion of the site acquisition costs with a combination of CFD bond proceeds, CFD tax revenues previously collected, and developer fees. The District still owes approximately \$11.6 million to Pardee Homes for the land acquisition of Solana Ranch School.

13.Q. How much does the District receive in CFD money from Pacific Highlands Ranch taxpayers?

A. The District currently receives approximately \$725,000 per year from CFD 1999-1 and approximately \$2.4 million per year from CFD 2004-1, for a total of approximately \$3.125 million. Approximately \$2.2 million of this is already committed to annual bond debt service payments. The approximate remaining funds of \$925,000 are available to fund future capital improvements to the benefit of students within the CFD boundaries.

14.Q. How much money is available from the Pacific Highlands Ranch CFDs for future projects?

A. It is estimated that the District could generate approximately \$40 million from CFDs 1999-1 and 2004-1 from a combination of approximately \$10 million tax collections already received and \$30 million which has not been bonded against to date.

If the optional School #8 is not constructed, the District could issue all or a part of the \$30 million of bonds. CFD revenues could then be used to fund options such as the expansion of Solana Ranch and possibly the expansion of Solana Santa Fe, Carmel Creek and/or Solana Pacific to the extent that students from PHR attend those schools.

STUDENT DEMOGRAPHICS

15.Q. Does SBSB currently have enough seats to house students from PHR and One Paseo absent building School #8 (large or small)?

A. Yes. The District currently has 650-750 open student seats across the District.

16.Q. How accurate are 10-year projections?

A. Enrollment projections are more accurate on a 3- to 5-year term, beyond 5 years, projections diminish and are less likely to reflect reality. The District employs a demographer that specializes in providing information available at the time and updates projections annually. Projections are calculated using birth rates, population shifts, outside influences (e.g. political – immigration policy), housing trends, and the history of each area.

17.Q. How many units will be built in the One Paseo development?

A. 608 Multi-family rental units.

18.Q. Can Solana Highlands School receive One Paseo students?

A. District staff was given direction by the Board to *explore* assigning students from One Paseo to either Carmel Creek/Solana Pacific schools or Solana Highlands/Solana Pacific schools. District staff has also been asked to explore converting Solana Highlands to a K-6 school. This decision will determine if Solana Highlands can receive students from One Paseo.

19.Q. Is there a table showing exiting 6th graders and Kindergarten students to illustrate the enrollment trend throughout grades?

A. Below is a table showing a 10-year declining enrollment trend:

	10/1/09	10/1/10	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15	10/1/16	10/1/17	10/1/18
6th	414	450	404	455	432	440	474	469	452	460
K	407	409	370	370	360	392	409	351	374	317
Diff	-7	-41	-34	-85	-72	-48	-65	-118	-78	-143

Data from Historical Decision Insite

20.Q. The 1998 mitigation agreement established the student generation rate for projecting student enrollment from new developments at 0.435. The actual student generation rate was initially higher at 0.61-0.63 per single family unit. Can we renegotiate this rate in order to help fund options?

A. Negotiations occurred between SBSB and Pardee Homes in 2003-2004, and the rate remained unchanged.

21.Q. If the student enrollment projections have been historically accurate, then why is enrollment at SR already exceeding capacity of the school just a few short years after opening requiring the addition of several portable classrooms?

A. Solana Ranch has 38 total classrooms (inclusive of the four new modular classrooms). Currently, 27 grade-level classrooms are in use which translates into a capacity for 621 students (27 classrooms x 23 students per classroom). Classes are loaded at an average of 20:1 (K-3), 27:1 (4-6), and 23:1 (K-6). As of November 7, 2018, 573 students are enrolled leaving approximately 48 open seats. There are two additional classrooms available (without impacting the specialty classrooms set aside for STREAM, Media, Technology, Art, etc.) which increases the capacity to 667 (29 classrooms x 23

students per classroom). Since class sizes are loaded at an average 23:1 (K-6), this provides flexibility to enable capacity for 690 students, which would accommodate projected enrollment based on the highest student generation rate of 0.6.

22.Q. What is the detailed plan on SR expansion? Will the public areas be expanded too?

A. The expansion of Solana Ranch as an option will require a separate community engagement process to determine if it is a viable option. Engagement will involve gathering input and feedback from teachers, support staff, students, parents, community members, and other stakeholders. Consistent educational programming across all district schools is a common interest of all stakeholders. This includes providing the necessary space and staff for a broad educational experience (e.g. STREAM, Technology, Music, Art, etc.). Public areas, such as the park, are not within the scope of the District's purview.

SCHOOL CONSTRUCTION COSTS

23.Q. What are the estimated costs for building School #8?

A. The Inflated Base School Construction (hard costs, escalated to 2023) is estimated at \$37,310,000. Note this amount does not include the cost of land acquisition and soft costs. [Reference Slide 19 on PPT 9/26/2018).

24.Q. How was escalation determined?

A. Construction cost escalation rates are often very different from inflation rates. Construction costs are impacted or influenced by material markets, credit rates, capacities, and labor availability. SBSB consults with the Coalition for Adequate School Housing (CASH), builders in the industry, cost estimators for school construction, other school districts, and market trends to determine escalation. From June 2017-June 2018*, the following products have increased in cost:

- Aluminum increased 20%
- Steel increased 12%
- Lumber/Plywood increased 18.3%
- Fuel increased 52%
- Concrete increased 7.5%

**Source: Construction Cost Data 7/11/2018*