

Community Meeting – Mello Roos and Enrollment

8-Nov-12

Question and Answer Session

Q: Why was Property tax/Mello-Roos increased again?

A: Mello-Roos taxes are increased by 2% annually by the Board of Trustees. This practice is undertaken by most school districts with Mello-Roos CFDs, including Chula Vista Elementary and San Ysidro Elementary. The initial Mello-Roos tax rate was set low to assist the initial buyers with their purchase with the annual 2% inflation adjustment intended to cover subsequent inflation costs over the years.

Q: Who Voted 'Yes' to increase Mello-Roos?

A: On July 23, 2012 the Sweetwater Board of Trustees voted 3-2 (Cartmill, Quiñones, Ricasa-YES; McCann, Lopez-No) to adopt Resolution 4154, authorizing an increase in the annual Mello-Roos tax by 2%.

Q: Why are Mello-Roos funds being used in areas that are not paying this facility tax? Especially when our middle and high schools need the funds to expand.

A: The law allows Mello-Roos tax collections to be used for capital purposes such as buying land, construction of buildings, purchase of equipment, payment of debt for capital items, and for modernization and technology upgrades to meet the needs of students coming from development within the Community Facility District(s). There are no requirements that the facilities be located within the CFD boundaries or that only students coming from development within the CFD be the only ones using the facility. The decision on where to build a facility funded partially or wholly with Mello-Roos funds is left to the local school district. The determination of who pays Mello-Roos taxes is made at the time the developer(s) approach a school district requesting that a Mello-Roos (CFD) district be established. Only the property within the boundaries of that district will be subject to the special tax.

Q: Is there a study done that you have collected more Mello funds than needed? Has the land for the next school site already been purchased and paid for?

A: Within the district's annual financial report, Mello-Roos funds are accounted for <http://flipbooks.sweetwaterschools.org/auditreport2011/> - The property for an additional school has been purchased and plans have been developed. Because not all property within the boundaries of the Mello-Roos (CFD) district is developed at the same time the school district must periodically review its need for facilities and the status of existing facilities. This process results in modifying the amount of Mello funds needed. The district is just beginning the review process on its Long Range Facilities Master Plan which was last done in 2005-06. The District will be updating the Long Range Facilities Master Plan over the next two years and the decision to begin construction on the new MS-12/HS-14 site will be made as the District reviews current and future enrollment growth in the affected area.

Q: How much additional and total money will be brought in by the 2% increase in taxes that was approved by the board? Why didn't CVESD raise the 2% TAX?

A: a) It is estimated that a 2% increase represents \$461,000 b) CVESD did in fact raise their Mello-Roos and have done so for the past several years -

<http://www.cvesd.org/DISTRICT/BoardMeetingMinutes/Regular%20Board%20Meeting%20July%2020,%202010.pdf>

Q: According to Dr. Brand, Mello funds are being used for operating expenses. Have these funds been paid back? How much was borrowed and on what dates?

A: As part of the State of California budget plan approved by the Legislature and Governor the last few years, the State has been delaying its payments to local school districts. This is often referred to as the State Deferrals by elected officials and the media.

As a result of this action local school districts have been forced to borrow cash to cover their payroll and commercial payments. Education Code Section 42603 provides that moneys held in any fund or account may be temporarily transferred to another fund or account for payment of obligations.

Dr. Brand was referring to this temporary borrowing for cash flow needs. As of November 13, 2012 \$50,995,000 of loans remain outstanding from Mello-Roos tax collections (\$15,295,000 from June 30, 2012 and \$35,700,000 from August 30, September 28 and October 30, 2012). As the district receives cash payments from the State or distributions of property taxes from the County Treasurer repayment on the oldest loans with interest will be made. Until the State eliminates its deferral process and pays school districts on a timely basis, it is likely that internal temporary borrowing for cash flow needs will continue.

Q: How can you borrow from Mello Roos and then raise it?

A: The borrowing is only temporary and to meet cash flow needs of other District funds. All Mello Roos taxes will ultimately be spent for legally appropriate capital purposes.

Q: Why is Mello Roos borrowed from to pay operating expenses? What law gives you the right to borrow?

A: Education Code Section 42630 provides that moneys held in any fund or account may be temporarily transferred to another fund or account for payment of obligations. The temporary transferred is for cash flow purposes.

Q: Question about decrease in number of students (800) - Where did they go?

A: A school district's enrollment not only changes year to year but day to day as families move into and out of its boundaries. There are a number of factors which contribute to these changes including live birth rates from the historical past, economic climate in the area, housing status in the area, program offerings in the district, access to schools and programs provided by the public school district and alternative educational options.

Enrollment in the district had been decreasing over the past several years and was projected to decrease in the current year. The projected decrease for this year has not occurred; we experienced an increase in our enrollments. Once a student is outside of the district, there is no way of tracking where there are going unless we receive a request for their student records.

Q: What is the shelf life of iPads - also, did all schools get iPads?

A: While Apple documentation states a 1000 recharge cycles, an Apple engineer stated to us "we have done extensive testing to come up with that number of 1000, but we are usually on the conservative side. It really comes down to when the iPad can no longer function on a full day's activity without being charged". We do know that the battery is fully warranted for 2 years.

Q: In 10 years, once done with Mello-Roos, neighbors are not done paying, who pays?

A: Most Mello-Roos agreements are set up for a 25 year term and once completed that individual home is not subject to that agreement. Other homes that were developed later may continue paying until their 25 year term expires. The District currently has 17 CFDs and one that is currently in formation.

Q: Site for next school purchased - study on amount of Mello and comparison on what's needed/spent/borrowed? On 2% increase, what's the money being spent on?

A: For 2010-11 and 2011-12 the \$32.1 million was spent for payment of principal and interest on Long Term Debt associated with projects serving Mello Roos districts. Another \$4.2 million was spent on projects at East Hills Academy and Eastlake Middle. Just under \$1.1 million was spent on iPads for 7th graders coming from the Mello Roos districts. The remaining \$1.9 million of expenditures went to administrative costs associated with the Mello Roos districts and projects at or related to OLH, ELM and ORH.

Q: Can Mello-Roos be used only on items that have life of 5 or more years? How do iPads fit into this?

A: No, Mello Roos tax receipts can be used for other purposes. Examples would include the lease or rental of "portable classrooms or facilities", cost associated with administering Mello Roos districts, and furniture to name a few items. The question of the life of an item is really associated with items being purchased from funds borrowed using a debt instrument like a bond or certificate of participation.

Because of IRS/Franchise Tax Board tax codes (is the interest being received by the bond holder free from federal or state taxation), there are considerations around life of the asset being acquired vs. life of the debt. iPads are considered Computer Hardware under the State Accounting Manual for school districts and, "as general guidance regarding reasonable estimated useful lives", are shown with a 5 year life.

Mello Roos funds may be used to acquire personal property like computer equipment. The District determined that approximately 26% of the 7th graders in the District came from Mello Roos districts and funded approximately 26% of the cost of the iPads to the Mello Roos taxes.

Q: What were funds used to purchase iPads? Was this 26%?

A: In 2011-12 \$1,065,258 of Mello Roos tax collections were used to purchase iPads. This represented the 26% figure mentioned.

Q: Why was it necessary to increase fees by 2%? How much spent at ELH this year, in past years?

A: At the time the Mello Roos district was created part of the agreement setting the tax rate established that the Board could increase that tax rate by 2% annually. This 2% annual "inflation increase" is not unique to Sweetwater Union High School District. The 2012-13 budget contains \$4.8 million for projects at ELH, BVM, BVH, and ORH.

Q: Has SUHSD borrowed from Mello Roos for any other reason in last 10 years, and if so, why?

A: The district has not borrowed for uses other than temporary cash flow purposes.

Q: Where is plan/formula for how Mello Roos being used? Where can use of funds at local schools be found (ELH/ELM)?

A: As part of its Long Range Facilities Master Plan (LRFMP) mentioned earlier the plan for Mello Roos projects will be included. The District reports on Mello Roos funds in its annual Financial Audit report and on the State of California financial report forms. For information on projects at specific schools the District's Chief Facilities Officer should be contacted. The District LRFMP will be updated in the next two years to refresh the enrollment projections, individual campus master plans and new facility needs within the District.

Q: Why does CVESD pool funds and use for facilities, whereas SUHSD follows students and not facilities?

A: The California State Accounting Manual directs that all funds received by a school district be deposited in the County Treasury under a "Fund 49" account classification. CFD funds are used to provide student housing for those students generated from the CFD area, regardless of where that student housing is located.

Q: Where are Mello Roos funds going? What other plans are in place?

A: Currently Mello Roos funds are being collected to pay principal and interest on outstanding debt, for administration costs associated with Mello Roos districts and for projects mentioned earlier. The district has plans for a new school that will use Mello Roos tax proceeds collected and to be collected. It is anticipated that the Long Range Facilities Master Plan will identify other projects that will utilize Mello Roos taxes.

Q: What is cost for updating electronic texts?

A: Cost for updating texts depends on the app being purchased. If the text is developed by the district, there is no cost for updating. Also, once a text is purchased, updates are provided at no additional cost.

Q: Why are more taxes being paid on this side of district as opposed to other side of district?

A: Mello-Roos districts were set up on newer developments. This includes much of East Chula Vista and parts of the Otay Mesa/San Ysidro area. A map of the CFDs can be found at:

<http://www.sweetwaterschools.org/wp-content/uploads/2012/11/CFDmap120827.pdf>

Q: How can board provide opportunity for students outside of East side to come to this area?

A: Transfers have always been allowed within the district. Prior to the start of the 2012-2013 school year, an administrative decision was made to ease the requirements on a transfers within the district. In addition, under the Federal No Child Left Behind (NCLB) law, schools that are in Program Improvement must give an option to students to attend other schools within the district.

Q: What is average fill/enrollment/capacity in schools?

A: Information is located at: <http://www.sweetwaterschools.org/wp-content/uploads/2012/11/Capacity-Workbook-2012-20131.pdf>

Q: What provision does SUHSD have to recapture the money?

A: Once an expenditure has been made there is no specific provision to “recapture the money”. If an item is purchased which has a warranty and the item fails, then the terms of the warranty may provide for some kind of “recapture”.

Q: Are Mello-Roos funds being used to fund day-to-day operations?

A: Mello Roos funds are expended only for Mello Roos purposes. As mentioned earlier cash is borrowed from Mello Roos funds on a temporary loan basis to meet cash flow needs of other funds of the District as provided for under Education Code Section 42630.

Q: What provisions are given when students come from west-side to east-side of district?

A: When a student “comes from the west-side to the east-side of district” the receiving school receives all budget allocations associated with that student. Some allocations are specific to a student, some come when a certain number of students are reached.

Q: How much money does SUHSD owe Mello Roos fund?

A: Through November 13, 2012 the Mello Roos fund has temporary loans receivable of \$50,995,000.

Q: Question about amphitheater at ELH - where is it?

A: The amphitheater at ELH was never built due to budget constraints. The project is currently in the planning process and will begin construction within the next year.

Q: Why wasn't a facilities master plan done for entire time span of Prop O?

A: Districts develop a Long Range Facilities Master Plan (LRFMP) to support the requirements for each bond measure planned. When Prop O was planned in 2005, a LRFMP was completed for the entire length of the program. Due to the recent housing downturn and economic recession, the District is unable to sell additional bonds.

Since it has been seven years since the LRFMP was developed, educational programs and priorities have changed. The District will refresh the plan with input from all stakeholders at each site to develop a plan that reflects both the voter approved Proposition O project list as well as the current educational priorities of the District.

Q: Why is SUHSD exceeding its own standard on enrollment?

A: The District is not exceeding enrollment standards. Legally by code we can accommodate many more students at our schools. The District capacity found at <http://www.sweetwaterschools.org/wp-content/uploads/2012/11/Capacity-Workbook-2012-20131.pdf>. The District stops open enrollment transfers from outside the school boundary at 85%. This provides a 15% cushion for those students enrolling during the school year within the school boundary.

Q: How did enrollment reach 97% capacity? Have funds been translated to this increase?

A: All school sites have received budgets based on their enrollments. These budgets are and will be adjusted according to the timelines and procedures/practices of the District.

Q: Was there an impact study done?

A: Open enrollment is an extension of the District transfer policy that provides the opportunity for students to attend any school within the District, therefore no impact study was required.

Q: Can you explain how classes have 48 students in them?

A: The average class size is 31 students per teacher except for P.E. and specialized classes such as band. The collective bargaining agreement restricts total student teacher contacts to 182 during a five period day. Some classes are smaller and some are larger to keep this ratio and maximum contact. The school manages the master schedule based on available teachers and student needs. There are very few regular classes with 40+ students except for the exceptions like band, chorale, P.E., etc.

Q: Does Title I follow student?

A: Yes, Title I funds are allocated to schools based upon the qualifying students. There is a Federal minimum requirement that a school must have at least 35% of its students be eligible for Title I in order for the dollars to go to the school.

Q: Is Olympian High planned to be MS/HS? What is capacity?

A: OLH is a high school and has a current District capacity of 2,468 and is currently at 75% enrollment. There are several new housing tracts under construction within the OLH boundary and the school will continue to receive more students as those developments are sold and occupied over the next several years. The new MS-12/HS-14 site is planned to house both a middle and high school on the same campus.

Q: How does charter school affect enrollment issue?

A: Enrollment at a charter school is done on a voluntary basis by the family of the student. Charters provide another option for families to choose from and are considered a public school in California. Students from outside the geographical area of the district granting a charter may attend the charter school, no interdistrict agreement is required.

Q: Who is responsible for classes with higher enrollment (40-50)?

A: See the answer to a similar question above. The school develops a master schedule based upon teacher availability and student needs. There may be a rare case where a regular classroom is over 40 students due to a lower class size in another period for that specific teacher. Principals work diligently to reduce class sizes and spread class loading across the five periods that each teacher has up to 182 student contacts per the collective bargaining agreement.

Q: How was decision made to alter district boundary policy?

A: Boundaries in the Sweetwater district have not been changed. The change came in allowing students to transfer between schools in the district. This was an administrative decision.

Q: What proof can be offered about Mello funds following students?

A: Mello funds do not follow the student, they are used as mentioned earlier for projects, debt service, personal property, etc. Projects at schools such as Bonita Vista MS that serve 25% CFD students, but is not located in a CFD, provide housing for CFD students, therefore CFD funds can be used for the project on a pro rata basis.

Q: If students come from Program Improvement schools, what schools can they choose?

A: Under No Child Left Behind, students can choose to attend schools that are not under Title 1 and/or schools that are not in Program improvement. In the Sweetwater District, Bonita Vista Middle, EastLake Middle, Rancho del Rey Middle, Bonita Vista High, Eastlake High and Otay Ranch High are not Title 1 schools. In addition, Granger Junior High is not in Program Improvement.