

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT  
BOARD OF TRUSTEES**

**BOARD FACILITIES WORKSHOP  
MINUTES**

The Board of Trustees of the San Dieguito Union High School District met in a Special Meeting/Facilities Workshop on Tuesday, April 4, 2006, at 4:00 p.m. in the San Dieguito District Office Board Room, 710 Encinitas Boulevard, Encinitas, California.

Members Present

Linda Friedman, President  
Deanna Rich, Vice President  
Beth Hergesheimer, Clerk  
Joyce Dalessandro  
Barbara Groth

Student Board Members Present

None

Student Board Members Absent

Melissa Sweet, Torrey Pines High School  
Katie Bendix, La Costa Canyon High School  
Maggie Roberts, San Dieguito High School Academy  
Kelly Kean, Canyon Crest Academy  
Danny or Adelle Uhlmeier, Sunset High School

Administrators Present

Peggy Lynch, Ed.D., Superintendent  
Eric J. Hall, Associate Superintendent/Business  
Terry King, Associate Superintendent/Human Resources  
Steve Ma, Executive Director/Business Services  
David Bevilaqua, Executive Director/Finance  
Eric Dill, Director of Risk Management  
John Addleman, Business Service Analyst  
Joann Redman, Recording Secretary

Guests

Celeste Davis           Natalie Perkins  
Craig Underwood       Chris Lynch  
Glenn Casterline       Margaret Backstrom  
Masood Sohaili via teleconference

CALL TO ORDER

The meeting was called to order at 4:00 p.m.

**INFORMATION ITEMS**

**BASIC AID PRESENTATION**

1.

Mr. Hall gave a report on Basic Aid. His presentation included Basic Aid & Revenue Limit definitions, General Property Tax Revenue, Approaching, Becoming and Being a Basic Aid district. Topics covered included the history of Basic Aid, Base Revenue Limit (BRL) and a comparison of Basic Aid funding and Revenue Limit funding. Mr. Hall stated that there were a total of 979 school districts in the state of which about 50 were basic aid. San Dieguito's base revenue limit of \$5,654.15 in 2004/05 places it in the bottom five high school districts statewide. If the district was funded at the average of \$5,794, San Dieguito would receive approximately \$1.63 million in additional funding.

Mr. Hall also shared BRL & Basic Aid status of San Dieguito and the feeder elementary districts for 2004/05 & 2005/06. He gave an update on the history of Prop 13 and how general property tax revenue is shared between various public entities. San Dieguito has 853 tax rate areas within its boundaries. A district must become Basic Aid without ERAF and based on permanent tax roll not including supplemental tax roll.

Mr. Hall reported that from 1997 to 2005, the district's property tax revenue has increased an average of 11.5% per year while ADA has grown an average of 3.3%. Housing data from the District's two largest zip codes indicate rising value and sales volume that peaked in 2004. Property tax revenue in excess of the district's total revenue limit is not guaranteed and the excess revenue above the limit will fluctuate based upon ADA, property values/sales volume and state policies. Revenue projections are less certain in a Basic Aid district. Becoming Basic Aid is determined by the CDE at the 2<sup>nd</sup> period apportionment (June of each year). Mr. Hall summarized Becoming Basic Aid by

stating larger reserves are recommended, a Basic Aid district can cease to be Basic Aid, as programs or staffing expand or grow, programs & staffing may be adjusted, and the ability to be flexible is necessary because many factors determine revenue.

Mr. Hall reported that interdistrict enrollment requires the district to analyze the impact. The interdistrict enrollment is not counted toward becoming Basic Aid. There is a state alternative "District of Choice" which requires Board resolution and policy, where the CDE calculates the annual enrollment allowing 70% of the revenue limit of the district of residence credited to the district of attendance.

Mr. Hall summarized by stating that Basic Aid is complex, multi-faceted, a moving target, that there is a difference between high wealth & Basic Aid, and an annual test is conducted to determine status. Questions still unanswered: where will enrollment go in the future? Where will assessed valuation go? Where will the revenue limit go?

DAVIS DEMOGRAPHICS  
ENROLLMENT UPDATE  
2.

Mr. Ma gave an update on the Davis Demographics enrollment projections. He shared an enrollment projection analysis prepared by DDP for the current school year through maturity to be used for long-term planning. DDP projections are based on three factors: birth rates, mobility, and new housing in the pipeline. School House Services will also be conducting a maturity update for the district. Mr. Ma also shared a district wide 6-year comparison of enrollment projections showing a flattening of the growth rate as a result of low housing projections. Change in Middle School and High School populations for the 2006-2012 years were shown on two maps. He summarized by stating that district wide enrollment continues to flatten over the next 7 years, Carmel Valley & Torrey Pines attendance areas will grow a little, and all other attendance areas will be flat or losing students.

PROPOSED REFUNDING  
PLAN OF 1998 & 2004  
MELLO ROOS BONDS  
3.

The Bond Team was introduced. Ms. Davis reported on the background on the CFD's, the existing debt, proposed refunding, next steps, timeline, and interested parties list, the preliminary cash flows and on how to get money out of the escrow account. Ms. Davis reviewed

the history of the CFD's and securing the bonds in 1998 & 2004, the historical growth of permits and the special tax formula in those CFD's. Annual special tax revenue has grown from \$44,000 in 1996 to \$590,580 in 2006, most recently in CFD 03-01. \$5,672,783 is projected to be collected in 2007. Assessed values to lien are very high in our district and delinquencies are extremely low overall.

Ms. Davis reviewed the outstanding debt of \$90,005,000. Actual special tax revenues collected in 2005/06 came in lower than the projected amount. Ms. Davis also reviewed the Escrow Funds. She indicated \$16,845,000 is left to be released in escrow, \$1.2 million in Escrow Interest Fund for a total of \$18,085,939.

With the slowing in the housing market, staff has been working with developers to revise their projections on permit activity. The revised projections suggest that monies being released from escrow will be much slower than the original 2004 proforma. As much as \$2 million could still be in escrow when the escrow is collapsed in February 2009. These unreleased funds must be used to redeem bonds and will not be available for facility projects. If the housing market slows further, the remaining amount in escrow could be greater than the \$2 million.

The Bond Team proposed a refunding of the 1998 and 2004 bonds as a way to maximize the release of escrow funds at closing. There would be no escrow feature in the proposed restructuring. If the District chose to do no refunding, a total of \$15.4 million would be available over the next 2 to 3 years depending on permit activity. By comparison, the restructuring would net \$15.4 million at closing (August 2006) and give more certainty in planning for needed facilities. The net amount includes a cash contribution from the District of \$3.4 million to deflect the taxable portion of the 1998 bonds. This is necessary to clean up the indenture and attract the lowest interest rate and debt coverage ratio.

The District's financial advisor Bond Logistix, estimates that the present value savings of the proposed refunding is \$1.2 million. While the net cash available for facilities is the same (\$15.4 million), the decision to restructure is

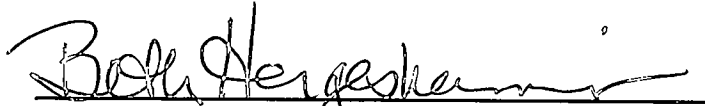
more policy driven. The policy question for the Board is whether certainty of funds today is better than relying on future permit activity to release funds from escrow. Other policy considerations in the proposed refunding include the rising cost of construction and whether interest rates are likely to rise in the future.

Mr. Hall asked the Board where we should head with the Bond Refunding. He asked if we should pause, or ask the bond team to proceed and bring back a timeline for moving forward, or do we not go any further with the process. He indicated that the June 30 cut off for the tax roll will give us a better feel on reaching our projections.

The Board requested that the Bond Team continue moving forward and that by June 30<sup>th</sup>, we would have a better feel for where we are and that we could get back together with an update at that time.

ADJOURNMENT  
7.

There being no further business to come before the Board, the meeting was adjourned at 5:45 p.m.

  
Beth Hergesheimer, Clerk

  
Peggy Lynch, Ed.D., Superintendent and  
Secretary to the Board