

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT  
BOARD OF DIRECTORS  
OF THE  
SAN DIEGUITO PUBLIC FACILITIES AUTHORITY  
SPECIAL MEETING**

A Special Meeting of the Board of Directors of the San Dieguito Public Facilities Authority has been called for on Thursday, June 8, 2006.

DATE:	Thursday, June 8, 2006
PLACE:	District Office Board/Conference Room 710 Encinitas Boulevard Encinitas, CA 92024
TIME:	5:00 p.m.

Items to be transacted will be limited to the following:

**CALL TO ORDER**

1.

**DISCUSSION ACTION**

**APPROVAL OF MINUTES**

2.

Motion by \_\_\_\_\_, second by \_\_\_\_\_, that the minutes of the Board of Directors of the San Dieguito School Public Facilities Authority of April 4, 2006, be approved as written.

**ADOPTION OF MASTER SWAP POLICY**

3.

Motion by \_\_\_\_\_, second by \_\_\_\_\_, to adopt the attached Master Swap Policy.

**INFORMATION ITEMS**

**MELLO ROOS 2006 BONDS /  
PROJECT LIST FOR TAX REVIEW**

4.

**ADJOURNMENT**

5.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
710 ENCINITAS BLVD., ENCINITAS, CA 92024  
**BOARD OF DIRECTORS SPECIAL MEETING**  
**OF THE**  
**SAN DIEGUITO PUBLIC FACILITIES AUTHORITY**  
**MINUTES**

The special meeting of the Board of Directors of the San Dieguito Public Facilities Authority was called to order at 7:30 p.m. on Tuesday, April 4, 2006, by President Friedman, in the San Dieguito Union High School District Office Board Room, 710 Encinitas Boulevard, Encinitas, California.

CALL TO ORDER

President Friedman called the regular meeting to order at 7:30 p.m.

Members Present

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

Administrators Present

Peggy Lynch, Ed.D., Superintendent  
Eric J. Hall, Associate Supt./Business Services  
Terry King, Assoc. Supt./Human Resources  
Steve Ma, Executive Director, Planning Services  
Joann Redman, Recording Secretary

Guests

None

**DISCUSSION ITEMS/**  
**ACTION AGENDA/**

APPROVAL OF MINUTES  
2.

Motion by Mrs. Groth, second by Mrs. Hergesheimer, that the minutes of the Board of Directors of the San Dieguito School Public Facilities Authority of December 8, 2005, be approved as written.

AYES: Dalessandro, Groth, Hergesheimer,  
Rich, Friedman

ABSENT: None

NOES: None

ABSTAIN: None

Motion unanimously carried.

ADOPTION OF  
REIMBURSEMENT/  
COMMUNITY FACILITIES  
DISTRICTS 94-1, 94-2, 94-3,  
95-1, 95-2, 99-1, 99-2, 99-3,  
AND 03-1

3.

Mr. Ma reported on the proposed refunding of bonds discussed earlier in the Board workshop which would give the district the ability to utilize Capital Facilities Funds 25-18 & 25-19, and 17-42 for funding the project at this time allowing the funds to be reimbursed with bond proceeds at future date.

Motion by Mrs. Hergesheimer, second by Mrs. Rich, that the Board adopt the attached Reimbursement Resolution of the Board of Directors of the San Dieguito Public Facilities Authority.

AYES: Dalessandro, Groth, Hergesheimer,  
Rich, Friedman

ABSENT: Dalessandro

NOES: None

ABSTAIN: None

Motion unanimously carried.

ADJOURNMENT

4.

There being no further business to come before the Board of Directors of the San Dieguito Public Facilities Authority, President Friedman adjourned the meeting at 7:31 p.m.

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Beth Hergesheimer, Clerk

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Peggy Lynch, Superintendent and  
Secretary to the Board

# San Dieguito Public Facilities Authority

## INFORMATION REGARDING BOARD AGENDA ITEM

**TO:** BOARD OF DIRECTORS

**DATE OF REPORT:** May 31, 2006

**BOARD MEETING DATE:** June 8, 2006

**PREPARED BY:** <sup>JAM</sup> John Addleman, Facilities Planning Analyst  
Steve Ma, Exec. Director of Business Services  
Eric J. Hall, Assoc. Supt. of Business Services

**SUBMITTED BY:** Peggy Lynch, Ed.D.  
Superintendent

**SUBJECT:** APPROVAL OF MASTER SWAP POLICY

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### EXECUTIVE SUMMARY

The Authority is moving forward in the refunding of the 1998 and 2004 Mello Roos bonds. As part of the structure of the 2006 Mello Roos refunding, the Authority intends to enter into a Swap Agreement with a counterparty, most likely to be Morgan Stanley. The bond team recommends adopting the attached guidelines to provide procedural direction regarding the future use, procurement, execution, and management of interest rate swaps, options, and similar contractual agreements.

Interest rate swaps can be effective tools in the Authority's efforts to achieve its financial objectives. Properly used, these instruments can increase the Authority's financial flexibility in addressing changing market conditions and overall Authority circumstances, manage interest rate risk, provide opportunities for interest rate savings and enhanced investment yields, and help the Authority to manage its balance sheet through better matching of assets and liabilities. Interest rate swap usage is to be integrated into the Authority's overall debt and investment management efforts.

While adherence to these guidelines is generally required, developments in the financial markets, Authority circumstances and/or objectives, or other unforeseen events may produce situations not adequately anticipated by the guidelines. In these cases, the Authority will have the flexibility to deviate from these guidelines, provided authorization by the Board of Directors is obtained.

These guidelines are not intended to govern instruments or transactions other than interest rate swaps that the Authority may consider, or require the Authority to modify or terminate existing interest rate swaps. No party shall have any right or remedy solely as a result of the Authority's failure to comply in any manner with this policy. Periodically, but no less frequently than annually, the Authority, together with its advisors and counsel, will review these guidelines and shall make modifications as appropriate due to changes in the business environment or market conditions.

**RECOMMENDATION:**

It is recommended that the Board approve the attached Master Swap Policy - Guidelines for Utilization of Interest Rate Swaps & Other Derivative Products.

**FUNDING SOURCE:**

N/A

Master Swap Policy  
Guidelines for Utilization of Interest Rate Swaps & Other  
Derivative Products

I. Introduction

The guidelines outlined herein are intended to provide procedural direction regarding the future use, procurement, execution, and management of interest rate swaps, options, and similar contractual agreements (hereafter, "interest rate swaps").

Interest rate swaps can be effective tools in the Authority's efforts to achieve its financial objectives. Properly used, these instruments can increase the Authority's financial flexibility in addressing changing market conditions and overall Authority circumstances, manage interest rate risk, provide opportunities for interest rate savings and enhanced investment yields, and help the Authority to manage its balance sheet through better matching of assets and liabilities. Interest rate swap usage is to be integrated into the Authority's overall debt and investment management efforts.

While adherence to these guidelines is required generally, developments in the financial markets, Authority circumstances and/or objectives, or other unforeseen events may produce situations not adequately anticipated by these guidelines. In these cases, the Authority will have the flexibility to deviate from these guidelines provided authorization by its Board of Directors is obtained, and approval by its Board of Directors of any transaction shall constitute approval of any deviation from these guidelines.

These guidelines are not intended to (a) govern instruments or transactions other than interest rate swaps that the Authority or its departments may consider, including but not limited to, currency, fuel, power, or other energy-related derivatives or (b) require the Authority to modify or terminate existing interest rate swaps. No party shall have any right or remedy solely as a result of the Authority's failure to comply in any manner with this policy. Periodically, but no less frequently than annually, the Authority, together with its advisors and counsel, will review these guidelines and shall make modifications as appropriate due to changes in the business environment or market conditions.

## II. Authority and Oversight

The Authority's Treasurer together with other Authority staff as designated (the "Authority's Staff") shall be responsible for interest rate swap activities. In addition, appropriate personnel from any related Authority departments or enterprises, shall be consulted in the evaluation of and as appropriate, the on-going management of any interest rate swaps. The Authority may utilize the services of its swap advisor or legal counsel for the evaluation, execution, and on-going risk management and reporting requirements.

Before entering into an interest rate swap, the Authority will confirm with its legal counsel, including the Authority's Attorney, that it has the legal authority to enter into such interest rate swap. In addition, if the interest rate swap will be related to existing or anticipated obligations of the Authority, the Authority will determine whether an interest rate swap is permitted under the legal documents pertaining to such obligations. Any determination or other action of the Authority required by this policy may be effected by a member of the Authority's staff as directed by the Board of Directors, and any counterparty may rely upon any such determination or other action in ascertaining compliance with this policy.

## III. Interest Rate Swap Utilization

Generally, the Authority may utilize interest rate swaps to better manage its interest rate based assets and liabilities and to the extent utilized, such instruments should be considered in the context of the Authority's overall asset and liability management efforts. The Authority shall not utilize interest rate swaps for speculative purposes.

### A. Rationales for Utilization

1. Reduce exposure to changes in interest rates on a particular transaction or portfolio of financial transactions.
2. Achieve lower expected net costs of borrowing with respect to the Authority's debt obligations.
3. Achieve a benefit not otherwise available to the Authority.

4. Optimize capital structure, including modification of the timing and amounts of scheduled debt service payments.
5. Improve asset and liability matching.
6. Achieve optimal fixed rate versus variable rate debt allocations.
7. Manage exposure to changing markets in advance of anticipated bond issuances by locking in borrowing costs (through the use of forward derivative instruments).
8. Manage risk / benefit relationships, including:
  - a. Interest rate risk;
  - b. Changes in tax federal and state tax policy; or
  - c. Liquidity facility renewal risk.
9. Enhance expected investment returns.
10. Better position the Authority to respond to changing market or other circumstances.

#### B. Permitted Instruments

The Authority may utilize the following financial products on a current, or forward basis, after identifying the objectives to be realized and assessing the attendant risks.

1. Interest rate swaps, including (i) pay fixed/receive floating swaps (fixed rate swaps), (ii) receive floating/pay fixed swaps (floating rate swaps) and (iii) pay floating/receive floating swaps (basis swaps). Swaps may include option features, such as for the extension, cancellation, or index conversion of the swap.
2. Interest rate caps, floors, and collars.
3. Stand-alone options to enter into swaps (swaptions) on a particular date, series of dates, or during a particular period of time in the future.

#### C. Prohibited Uses

The Authority shall not execute interest rate swaps under the following circumstances:



1. When an interest rate swap is used for inherently speculative purposes, such as the potential for trading gains, rather than prudently managing interest rate risk and expected net interest expense.
2. When an interest rate swap creates extraordinary financial risk.
3. When there is insufficient price "transparency" to permit the Authority and its financial advisors to reasonably value the instrument.

#### IV. Evaluation of Proposed Transactions

The Authority's Staff shall undertake an evaluation of any proposed transaction. This will include, but not be limited to, consideration of the following:

1. Assessment of all inherent risks of the transaction including, but not limited to those outlined below (see INTEREST RATE SWAP RISKS)
2. Alternative financing options and a comprehensive evaluation of the potential risks and expected benefits of the interest rate swap relative to such other options.
3. Security and source of payments, both scheduled and termination, and the integration of the swap into the Authority's debt program.
4. Procurement process and the suitability of the contemplated counterparties to the swap, taking into account any existing exposure to such counterparties.
5. Impact on Authority's credit and liquidity profile and how other financial arrangements, existing or expected, may be impacted by the swap.
6. Analysis of impact on the Authority's net variable rate interest exposure from the contemplated transaction and any potential budgetary impact.
7. Cost and availability of on-going resources for the effective operations and risk management of the swap.
8. Tax, accounting, or other compliance requirements relative to other options.

9. If the transaction includes option components, analysis of circumstances under which the option will likely, or not likely, be exercised and the consequences of each outcome.
10. Volatility Exposure (as outlined herein) for each counterparty for all existing and any proposed transactions.

V. Interest Rate Swap Risks

Interest rate swaps may involve several risks of varying degrees, including the following:

1. Counterparty Risk - The risk of nonperformance resulting in a payment or other default on a swap by the Authority's counterparty. If the swap is terminated prior to its scheduled final cash flow date and the Authority's swap position has increased in value, the Authority will be owed a termination amount and therefore will have credit exposure to its Counterparty for collection of any such amount.
2. Termination/Replacement Risk - The risk that an interest rate swap agreement must be terminated prior to its stated final cash flow date and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of deterioration in the Authority's own credit. In such circumstance, the Authority could owe a potentially large termination payment and/or find the resulting capital structure to be undesirable (e.g., contain excessive variable rate debt exposure).
3. Collateral Posting Risk - The risk that the Authority will be required to secure its payment obligations under the swap. Posted collateral would not be available for the Authority's expenditure or reserve balance needs, potentially adversely impacting credit ratings and overall liquidity and budgetary efforts.
4. Basis Risk - The risk that the payments received (from a floating leg of a swap or asset) are lower than expected and, therefore, insufficient to pay the amounts due (on the related floating rate liability). In the context of floating rate bonds combined with a fixed rate swap, the risk is experiencing prolonged periods of larger than expected discrepancies between the rate paid by the Authority to the holders of its underlying bonds and the floating rate received on the

swap over the same period of time (e.g., a tax-exempt variable rate issue paying bondholders an average of 68% of LIBOR while the Authority receives only 65% of LIBOR pursuant to the associated swap.)

5. Tax-Exemption Risk - Related to basis risk, tax-exemption risk is generally the risk of a reduction in or elimination of the benefits of tax exemption for municipal bonds (e.g., a reduction in income tax rates) which event would increase the Authority's tax-exempt floating rate borrowing cost without an offsetting increase in swap receipts.
6. Interest Rate Risk - The extent to which an interest rate swap creates incremental exposure to fluctuations in interest rates for both cash flow and mark-to-market purposes.
7. Liquidity / Remarketing Risk - In connection with a swap strategy which includes issuance of floating rate bonds that, absent the swap strategy, would have been issued as fixed rate bonds, the risk that the Authority cannot secure a cost-effective renewal of a letter or line of credit or suffers a failed auction or remarketing with respect to the floating-rate bonds.
8. Impact On The Authority's Credit Rating.
9. Accounting Risk - The risk that the transaction could have a material detrimental effect on the Authority's financial statements, rate covenants, and/or financial ratio covenants or policies.
10. Administrative Risk - The risk that the transaction cannot be readily administered and monitored by the Authority or its consultants in a manner assuring compliance with the objectives set forth in these Guidelines.

Before proceeding with a swap transaction, the Authority must conclude that the expected benefits of the transaction outweigh the expected risks, that the risks are within acceptable levels, and that the contemplated transaction does not impose risks that threaten the Authority's ability to perform its core functions. The transaction must be reasonable in relation to the Authority's overall financial condition and capitalization.

The Authority shall, with its advisors and legal counsel, structure swap transactions with terms and provisions that

will help mitigate such risks to the extent practicable and cost-effective. The Authority shall have a plan for the on-going monitoring and risk management of swap transactions.

#### VI. Interest Rate Swap Structuring and Execution

Swaps may be procured via a competitive process or through negotiation with one or more prospective counterparties. The Authority's Staff will determine on a case-by-case basis which approach best addresses the Authority's long-term financial objectives. Regardless of the method of procurement, the Authority shall obtain a finding from a qualified and independent firm that the terms and conditions of any transaction entered into reflect a fair market value of such transaction as of the date of its execution.

##### A. Eligible Counterparties

The Authority will do business only with qualified swap counterparties. Qualified counterparties are institutions whose long term credit rating or whose obligations are guaranteed by a financial institution whose long term credit rating, are at the time the swap is entered into at least as high as "A" or equivalent and that have a demonstrated record of successfully executing swap transactions. The Authority will structure interest rate swap agreements to protect itself from credit deterioration of counterparties, including the use of ratings-based termination events, credit support annexes or other forms of credit enhancement. Such protection shall include any terms and conditions which the Authority deems necessary or appropriate to protect its interests.

##### B. Term and Notional Amount of Swap Agreement

The Authority shall determine the appropriate term and size for an interest rate swap on a case-by-case basis. In connection with the issuance or carrying of bonds, the outstanding notional amount of a swap should relate to the amortization of the related existing or anticipated debt of the Authority. While entering into a swap with a term less than the associated bonds may be appropriate, if the intent is to "roll over" the swap, the Authority will be subject to the uncertainties of entering into a new swap (or other fixed rate obligation) at then prevailing market conditions.

##### C. Swap Documentation

In connection with each interest rate swap, the Authority must receive a legal opinion acceptable to the market to the

effect that the interest rate swap is a legal, valid and binding obligation of the Authority. Such opinion must set forth the statutory and/or other provisions that grant the Authority the capacity and authority to enter into the interest rate swap agreement.

Unless otherwise recommended by the Authority's Staff and approved by the Board of Directors, the Authority will use swap documentation based on published ISDA standards, including the Master Agreement, Schedule to the Master Agreement, Credit Support Annex, and Confirmation. The Authority may modify these standard forms and use additional documentation as, on the advice of counsel and/or its other advisors, it deems necessary and appropriate.

Subject to the provisions contained herein, the Authority's swap documentation and terms should include the following:

1. Appropriately limited definitions of Specified Entity, Specified Transactions, and Specified Indebtedness.
2. Downgrade provisions applicable to the counterparty that trigger termination that, if applicable to the Authority, shall in no event be triggered at higher credit ratings as compared to the counterparty.
3. Governing law for swaps will be New York State, but the authority to enter into swaps shall be governed by California State law.
4. The right for the Authority to optionally terminate the swap at any time (at the then market value), but shall not provide this right to the Authority's counterparty, unless specifically structured to provide the counterparty with cancellation rights.
5. A Credit Support Annex which requires the counterparty to post collateral beyond some agreed upon threshold if rated below "AA" (or equivalent), without modifiers, by either S&P or Moody's. Threshold amounts will be determined on a case-by-case basis but in all cases shall not permit thresholds in excess of \$15,000,000 for entities rated in the "A" category and for entities rated at or below "BBB" (or equivalent), the threshold shall be \$0. If a counterparty has more than one rating, the lowest rating will govern for purposes of calculating the permitted threshold.

If the provisions of the Credit Support Annex are symmetrical, the Authority will be required to post

collateral under the same terms as the Authority's counterparty. The Authority shall explore the availability and cost-effectiveness of asymmetrical threshold provisions and/or forms of credit enhancement to secure its swap payment obligations while minimizing the Authority's collateral posting risk.

6. Acceptable security types for collateral purposes shall be limited to either cash or securities rated "AAA" (or equivalent) by S&P or Moody's and otherwise consistent with the Authority's investment program. Valuation levels will take into account the term and liquidity of the investment as well as the valuation frequency. The market value of the collateral shall be determined no less frequently than weekly.

#### VII. Counterparty Credit Exposure

The Authority will manage its counterparty credit exposure (i.e., amounts which would become due to the Authority if the swaps with a particular counterparty were to terminate early pursuant to a default or other similar event) through diversification and, potentially, modification or termination of existing transactions. In order to measure the Authority's exposure, the Authority shall periodically calculate and review the current market valuation of all outstanding swaps, subtotaled by counterparty and by security and source of payment (as applicable). In addition, for each counterparty the Authority will review the then current long-term credit ratings and the ratings outlook, including the date of the last rating update. The calculation of termination exposure per counterparty will be on a net basis by taking into consideration multiple transactions, some of which may offset the overall exposure to the Authority.

In addition, the Authority shall estimate the interest rate volatility risk ("Volatility Exposure") of the Authority's existing swaps and any proposed swaps. The purpose of Volatility Exposure is to measure what impact a significant change in interest rates would have on the Authority's swap portfolio. Volatility Exposure will be calculated assuming (i) an upward shift of 100 basis points in the LIBOR swap yield curve and (ii) a downward shift of 100 basis points in the LIBOR swap yield curve. The assumed shift will be reviewed periodically to ensure that they remain appropriate.

Example of (Illustration)	Counterparty Purposes Only)	Credit	Exposure	Information
Counterparty	S&P (Date) Moody's (Date)	Outlook	Market Value of Transactions	Volatility Exposures Market Value
Provider A	A+ (1/1/04)	Stable (1/1/04)	\$3 million	VolExp <sub>up</sub> \$4 million
	A2 (1/1/05)	Negative (4/1/05)		VolExp <sub>down</sub> - \$1 million

#### A. Exposure Review of Existing Swaps

While collateralization reduces credit risk, it may introduce other risks, principally legal, operational and, if reciprocal, collateral posting by the Authority. In order to manage these other risks, the Authority shall limit the amount of exposure to any one counterparty, regardless of the counterparty credit ratings and threshold levels. If the actual exposure to a counterparty, plus adverse Volatility Exposure exceeds \$15,000,000, the Authority shall assess the situation and will explore remedial strategies to mitigate this exposure as necessary. Credit exposure may be reduced, for example, through a swap termination, in whole or in part, or a restructuring of the swap to an on-market rate with a smaller notional amount accompanied by a cash payment to the Authority, which could then be used to redeem underlying debt obligations. These counterparty credit risk guidelines will not mandate or otherwise force automatic termination by the Authority or the counterparty.

#### B. Exposure Review of Proposed Swaps

Prior to entering into a new swap transaction, the Authority, as part of its evaluation of the proposed transaction, will compute the Volatility Exposure by treating the proposed swap transaction as an outstanding swap. Such provisions will act only as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. These guidelines are not intended to require retroactively additional collateral posting for existing transactions.

### C. Exposure Review of Basis Swaps

For so-called "basis swap" transactions, whether existing or proposed, an adverse ratio change of 10% (not to exceed 100%) is assumed in addition to the Volatility Exposure rate change assumption described above. The ratio change is relative to the transaction's stated ratio. For example, a pay BMA and receive 80% of LIBOR transaction is valued assuming that the current mid-market level for the transaction is BMA and plus or minus 10% of LIBOR.

## VII. Ongoing Risk Management and Reporting Requirements

### A. Active Management

The Authority will seek to maximize the benefits and minimize the risks it carries by actively managing its interest rate swap program. This will entail monitoring the adequacy of posted collateral, compliance with accounting requirements, and periodic monitoring of market conditions for emergent opportunities and risks. Active management may require modifications of existing positions including, for example:

1. Early termination;
2. Shortening or lengthening the term;
3. Sale or purchase of options;
4. Basis conversion

### B. Accounting Treatment

The Authority shall comply with any applicable accounting standards for the treatment of swaps and related financial instruments. The Authority and the Authority's auditors shall implement the appropriate accounting standards.

### C. On-going Reporting

A report providing the status of all interest rate swap agreements entered into by the Authority will be prepared no less frequently than annually (or on such other basis directed by the Board of Directors) and shall include the following:

1. A description of all outstanding interest rate swap agreements, including Project and bonds series, type of swap, rates paid and received by the Authority,



total notional amount, average life of each swap agreement, and remaining term of each swap agreement.

2. Highlights of all material changes to swap agreements (including terminations) or new swap agreements entered into by the Authority since the immediately preceding report.
3. The mark to market value of each of the Authority's swap agreements aggregated by counterparty, and by source and security of payment as applicable.
4. The credit rating of each swap counterparty or its credit support provider guaranteeing its obligations and credit enhancer insuring swap payments, if any.
5. Actual collateral posting by each swap counterparty, if any, under each swap agreement and in total by the swap counterparty.
6. Listing of any credit enhancement, liquidity facility or reserves and accounting of all costs and expenses associated with the credit enhancement, liquidity facility or reserves.
7. For a swap transaction entered into to generate debt service savings, the Authority will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction at the original time of execution. Such a calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the Authority) versus the projected savings at the time the swap was executed.
8. Discussion of other risks associated with each transaction or the Authority's overall swap portfolio.

# San Dieguito Public Facilities Authority

## INFORMATION REGARDING BOARD AGENDA ITEM

**TO:** BOARD OF DIRECTORS

**DATE OF REPORT:** May 31, 2006

**BOARD MEETING DATE:** June 8, 2006

**PREPARED BY:** Steve Ma, Exec. Director of Business Services  
Eric J. Hall, Assoc. Supt. of Business Services

**SUBMITTED BY:** Peggy Lynch, Ed.D.  
Superintendent

**SUBJECT:** Proposed Project List for 2006 Mello Roos Bond

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### EXECUTIVE SUMMARY

Bond counsel will require the San Dieguito Public Facilities Authority to represent how the district intends to use the bond proceeds within three years. The attached project list identifies facility needs previously discussed with the Authority. The spreadsheet shows timing, as well as proposed allocation, of Mello Roos bond proceeds. As part of the bond closing, the Authority will represent, to the best of its knowledge, that these projects will be funded. The project list can change depending upon priorities.

The refunding of the 1998 and 2004 Mello Roos bonds will generate proceeds to complete ongoing projects, as well as starting new projects. The ongoing projects to be completed include Canyon Crest Academy (main campus) and the San Dieguito Academy's library / media center and multi-media system. The district has state modernization eligibility for Earl Warren Middle School and Sunset Continuation High School. Staff recommends moving forward with these two projects to leverage state funds. With respect to the new middle school in Pacific Highlands Ranch, the district should consider the timing of this school, given the existing middle school capacity in the south end of the district. Finally, it should be noted that the 94-2 covenant will remain in the 2006 bonds; therefore, the Authority will be required to annually certify that a specified portion of the bond proceeds will be used on north end facilities.

AGENDA ITEM: 4

**Project List - 2006 Mello Roos Bonds**

5/31/2006 15:40  
Project List for Bonds.xls

	'2006		'2007				'2008				'2009 3rd year		
	TOTAL	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.
<b>Canyon Crest Academy:</b>													
<i>Phase 1 (main campus)</i>													
Mello Roos	\$6,465,000	\$2,495,000	\$3,970,000										
State Funding	\$1,889,000	\$1,889,000											
NCW	\$656,000	\$328,000	\$328,000										
<i>Building H (use of grants)</i>													
Mello Roos	\$0												
State Funding (no 9-12 grants)	\$0												
Other	\$0												
<i>Completion of Fields (Phases 2 &amp; 3)</i>													
Mello Roos	\$0												
State Funding	\$0												
Other/Foundation	\$2,500,000					\$1,250,000	\$1,250,000						
<b>San Dieguito Academy:</b>													
<i>Library / Media Center</i>													
Mello Roos	\$1,264,000	\$632,000	\$632,000										
State Funding	\$2,195,000	\$1,098,000	\$1,097,000										
Other	\$0												
<i>Safari Multi Media System</i>													
Mello Roos (Lease buy-out)	\$521,000	\$521,000											
State Funding	\$0												
Other	\$0												
<i>Performing Arts Center</i>													
Mello Roos	\$3,900,000	\$300,000	\$300,000		\$825,000	\$825,000	\$825,000	\$825,000					
State Funding	\$1,800,000				\$450,000	\$450,000	\$450,000	\$450,000					
Other	\$2,400,000				\$600,000	\$600,000	\$600,000	\$600,000					
<b>Earl Warren Middle School:</b>													
<i>Modernization</i>													
Mello Roos	\$7,300,000	\$120,000	\$120,000	\$120,000	\$120,000	\$4,220,000	\$2,600,000						
State Funding	\$1,300,000					\$1,300,000							
Other	\$0												
<b>Sunset Modernization:</b>													
<i>Modernization</i>													
Mello Roos	\$1,400,000							\$100,000	\$100,000	\$1,200,000			
State Funding	\$600,000									\$600,000			
Other	\$0												
<b>New Middle School:</b>													
<i>Design</i>													
Mello Roos	\$0												
State Funding/Land & Bldg	\$9,000,000												
Other	\$0												

**Total Mello Roos Expenditures**      \$20,850,000  
**Total State Funding**                 \$16,784,000  
**Total Other Funding**                 \$5,556,000