



Newport-Mesa

Unified School District

Annual and Five-Year Report for Fiscal Year 2022/2023

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SECTION I. EXECUTIVE SUMMARY

Under Education Code 17620 *et seq.*, school districts may levy fees (“School Fees”) in order to offset the impacts to school facilities from new residential and commercial/industrial development. Commencing January 1, 1987, statutory school fees were authorized to be levied in the amount of \$1.50 per square foot of new residential assessable space and \$0.25 per square foot of enclosed commercial or industrial assessable space (“Level I Fees”) and are subject to inflationary adjustment every two years, as determined by the State Allocation Board. With the passage of Senate Bill 50 (the Leroy F. Greene School Facilities Act) in 1998, the State School Facility Program was established, and provides school districts with the option of adopting alternative school fees (also known as “Level II Fees” and “Level III Fees”) in excess of the Level I Fee upon meeting certain requirements, and are valid for a maximum of one (1) year.

In accordance with Government Code Section 66006(a), the Newport-Mesa Unified School District (“School District”) established a separate capital facilities account or fund more specifically identified as Fund 25, Capital Facilities Fund, for the deposit of collected School Fees.

With respect to Fund 25, in accordance with Government Code Sections 66001 and 66006, the School District shall, within 180 days after the last day of the fiscal year and at least 15 days prior to a public meeting of the Board of Education, make available to the public certain information regarding the collection and expenditure of School Fees collected under the authorization of Education Code Section 17620 *et seq.* and Government Code Section 65995 *et seq.*

This information shall consist of the following for the prior fiscal year (the “Annual Report”):

- Beginning balance
- Ending balance
- Type and amount of School Fees collected
- Interest earned
- Identification of any inter-fund transfers or loans, if applicable
- Amounts of any refunds and/or allocations
- Identification of the project(s) on which School Fees were expended, including the amount of the expenditures on each project, and the percentage of the cost of the project funded by School Fees if funded or partially funded with such fees.
- Identification of an approximate date by which the construction of the project will commence if the School District determines that sufficient funds have been collected to complete financing on an incomplete project.

In addition, the School District must identify the following information with respect to the portion of the School Fee account and/or subaccounts remaining unexpended, whether committed or uncommitted (the “Five-Year Report”):

- Identification of the purpose to which the School Fee is to be expended (with respect to portions remaining unexpended)

- Demonstration of a reasonable relationship between the School Fee and the purpose for which it is charged
- Identification of all anticipated sources and amounts of funding anticipated to complete financing for incomplete projects and the approximate date funding is expected to be deposited.

For the purposes of annual and five-year reporting requirements, School Fees do not include letters of credit and bond proceeds secured by payment of School Fees at a future date; revenues from developments under special mitigation agreements; or any other financing instrument used by the School District to fund school facilities construction and improvements.

The Board of Education will review the Annual Report and Five-Year Report (collectively the “Report”) at the next regularly scheduled Board meeting, at least 15 days after the Report was made available to the public. In addition, at least 15 days prior to the meeting, the School District will post a public notice of the time and place of the meeting, including information with respect to where the Report may be reviewed, and will mail the public notice to any interested party who timely filed a written request with the School District for mailed notice of such meeting.

SECTION II. ANNUAL REPORTING REQUIREMENTS

A. TYPE AND AMOUNT OF FEE (GOVERNMENT CODE SECTION 66006(A) AND (B))

School Fees are deposited into the Capital Facilities Fund, Fund 25, which is used primarily to account separately for monies received from fees imposed upon development projects as a condition of approval. The School District collected Level I Fees on residential and commercial/industrial development in FY 2022/2023, which are collected pursuant to Sections 17620 et seq. of the Education Code and Sections 66001 and 65995 et seq. of the Government Code. Level I Fees are levied on a per square foot basis for commercial/industrial construction/reconstruction and residential construction/reconstruction.

The amounts and effective dates for the School Fees authorized to be imposed by the School District's Board of Education after adoption and during the FY 2022/2023 are set forth in the table below by School Fee type.

| FEE TYPE | DEVELOPMENT CLASS | SCHOOL FEE COLLECTION DATES | SCHOOL FEE PER SQUARE FOOT |
|-----------------------------|-------------------|------------------------------------|----------------------------|
| Statutory Fees (Level I) | Residential | July 1, 2022 through June 30, 2023 | \$1.84 |
| | Commercial | July 1, 2022 through June 30, 2023 | \$0.30 |

B. BEGINNING AND ENDING BALANCE OF ACCOUNT, SCHOOL FEES COLLECTED, INTEREST EARNED AND DISBURSEMENTS (GOVERNMENT CODE SECTION 66006(C), (D), (E), (G), AND (H))

In FY 2022/2023, School Fees were deposited and expended from Fund 25 in amounts as follows:

| ITEM | AMOUNT |
|---------------------------------------|------------------------|
| BEGINNING BALANCE JULY 1, 2022 | \$11,122,721.94 |
| <i>Revenues:</i> | |
| School Fees Collected | \$711,764.46 |
| Interest Earned | 286,525.18 |
| Investment Gains/Losses | 53,202.23 |
| Interfund Transfers In | 0.00 |
| Miscellaneous Transfers In | 0.00 |
| <i>Revenues Subtotal</i> | <i>\$1,051,488.87</i> |
| <i>Disbursements:</i> | |
| Project Expenditures | \$757,699.02 |
| Interfund Transfers Out | 0.00 |
| Miscellaneous Transfers Out | 0.00 |
| <i>Disbursements Subtotal</i> | <i>\$757,699.02</i> |
| ENDING BALANCE JUNE 30, 2023 | \$11,416,511.79 |

C. IMPROVEMENTS ON WHICH SCHOOL FEES WERE EXPENDED

Government Code Section 66006(b)(1)(E) requires an identification of public improvements upon which School Fees were expended, along with the amounts and percentage of total project expenditures that were funded by School Fees. Project costs are summarized in the following table.

| PROJECT | AMOUNT OF PROJECT FUNDED | PERCENTAGE OF PROJECT FUNDED |
|---|---------------------------------|-------------------------------------|
| Miscellaneous furniture for new classrooms/common areas by school site: | | |
| Andersen Elementary | \$325.92 | 100% |
| Back Bay High School | 3,171.06 | 100% |
| College Park (TK-6) | 38,902.06 | 100% |
| Corona Del Mar High School | 14,638.11 | 100% |
| Ensign Intermediate School | 84,937.57 | 100% |
| Estancia High School | 114,818.14 | 100% |
| Harper Assessment Center | 10,837.14 | 100% |
| Kaiser Elementary | 14,208.77 | 100% |
| Lincoln Elementary | 43,818.06 | 100% |
| Newport Harbor High School | 18,959.04 | 100% |
| Transitional Kindergarten classrooms | 408,284.95 | 100% |
| Professional/Consulting Fees | 4,798.20 | 100% |
| TOTAL | \$757,699.02 | NA |

D. ANTICIPATED DATES OF COMMENCEMENT FOR SUFFICIENTLY FUNDED AND INCOMPLETE PUBLIC IMPROVEMENT PROJECTS

Should the School District determine that sufficient funds are available to complete an incomplete public improvement project, pursuant to Government Code 66006(b)(1)(F), the School District must identify an approximate date by which construction of the public improvement will commence. Public improvements expenditures that have received sufficient funding are detailed below.

| PROJECT | ANTICIPATED DATE OF COMMENCEMENT |
|---|---|
| Miscellaneous furniture for new classrooms/common areas by school site: | |
| Andersen Elementary | Fiscal Year 2022/2023 |
| Back Bay High School | Fiscal Year 2022/2023 |
| College Park (TK-6) | Fiscal Year 2022/2023 |
| Corona Del Mar High School | Fiscal Year 2022/2023 |
| Ensign Intermediate School | Fiscal Year 2022/2023 |
| Estancia High School | Fiscal Year 2022/2023 |
| Harper Assessment Center | Fiscal Year 2022/2023 |
| Kaiser Elementary | Fiscal Year 2022/2023 |
| Lincoln Elementary | Fiscal Year 2022/2023 |
| Newport Harbor High School | Fiscal Year 2022/2023 |

E. INTERFUND TRANSFERS OR LOANS

Government Code Section 66006(b)(1)(G) requires the description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan. No such transfers or loans were issued in FY 2022/2023.

F. REFUNDS OR ALLOCATIONS OF SCHOOL FEES

Government Code Section 66001(e) stipulates that the School District is required to refund unexpended portions of fees and interest accrued to property owners, should the School District determine that sufficient funds have become available to complete any incomplete projects (as described under Government Code 66006(b)(1)(F)) but not identify an approximate date by which construction of the public improvements will commence within 180 days, subject to exceptions described under Government Code 66001(f). No such refunds were issued in FY 2022/2023.

Likewise, Government Code Section 66006(b)(1)(H) requires the School District to provide a description of the amount of any allocations made pursuant to Government Code Section 66001(f). No such allocations were made in FY 2022/2023.

END OF ANNUAL REPORTING REQUIREMENTS

SECTION III. FIVE-YEAR REPORTING REQUIREMENTS

Government Code Section 66001 requires the School District to make the findings set forth in this Section III, for the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, with respect to the portion of the account or fund remaining unexpended, whether committed or uncommitted.

A. PURPOSE TO WHICH THE SCHOOL FEE IS TO BE EXPENDED

The purpose of the School Fees collected on new residential and commercial/industrial development is to fund construction and reconstruction of school facilities required to serve students generated by new development within the School District and to maintain existing levels of service related to increased demand on facilities due to development (See Ed. Code, § 17620 et seq.). This includes, without limitation, use of School Fees, as necessary, to provide interim housing for children generated by new development, and for other school-related considerations relating to the School District's ability to accommodate enrollment generated from new development and costs attributable to the increased demand for school facilities reasonably related to new development and necessary to maintain existing levels of service. Likewise, fees will also be used for other indirect and support services related to construction and reconstruction of school facilities necessary as a result of development.

For additional information on specific projects for which School Fees are anticipated to be expended, please refer to the table found in Section III. C of this report.

B. REASONABLE RELATIONSHIP BETWEEN THE SCHOOL FEE AND THE PURPOSE FOR WHICH IT IS CHARGED

As demonstrated in the School District's most current fee justification study, there is a roughly proportional, reasonable relationship between the new residential, commercial and industrial development upon which School Fees are charged and the need for additional school facilities in that the students that are generated by development will be accommodated by the school facilities for which the School Fees are expended. The School Fees charged on development projects will be used (1) to fund school facilities needed to serve the students generated from development, and (2) to modernize or refurbish existing facilities to address increased demand on the facility due to development and enrollment and is necessary for the School District to maintain existing levels of service. Additionally, the School Fees do not exceed the cost of providing school facilities for the new students generated from new development. Rather, the School Fees only partially mitigate the impact caused by development and do not adequately fund the school facilities necessary to accommodate the students generated by such development.

C. IDENTIFICATION OF ALL SOURCES AND AMOUNTS OF FUNDING ANTICIPATED TO COMPLETE FINANCING FOR INCOMPLETE PROJECTS AND THE APPROXIMATE DATE FUNDING IS EXPECTED TO BE DEPOSITED

The following table provides the information required by Government Code Section 66001(d)(1) (C) and (D). The information is reported as of the date of this report and is subject to change.

| PROJECT NAME | SOURCE OF FUNDING | EXPECTED DEPOSIT DATE | ANTICIPATED FUNDING AMOUNT |
|--|--------------------------|------------------------------|-----------------------------------|
| New portable TK classrooms (various locations through the School District) | Fund 25 | On Hand ¹ | \$5,000,000 |
| Estancia High School Theater Construction ² | Fund 25 | On Hand ³ | \$5,000,000 |

¹ New classrooms to be funded commencing in Fiscal Year 2023/2024, and as needed to accommodate TK student growth.

² The total project cost for the Estancia High School Theater Construction Project is approximately \$50,000,000.

³ Construction for the project is underway and is expected to be completed by the start of the 2025/2026 school year.

END OF FIVE-YEAR REPORTING REQUIREMENTS