

BACK IN BUSINESS

Funding Public Infrastructure and Services



**2023 CSMFD ANNUAL
CONFERENCE**

INTRODUCTIONS



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PRESENTATION TOPICS

- ▶ Community Facilities District Basics
 - Background
 - Overview
 - Purpose
- ▶ California Community Facilities Districts
- ▶ Community Facilities Districts Details
 - Financing Team
 - Formation and Bonds
 - Administration
 - Case Study
- ▶ Final Considerations
 - Resources

COMMUNITY FACILITIES DISTRICT BASICS

BACKGROUND

Proposition 13

- ▶ Approved by California voters in 1978
- ▶ Limited revenues available to public agencies collected from ad valorem property taxes
- ▶ Limited municipalities' ability to issue general obligation bonds without a vote from all constituents

Mello-Roos Community Facilities Act of 1982

- ▶ Authorized by the State in response to the limitations of Proposition 13
 - CA Government Code 53311 et. Seq.
- ▶ Provides long-term financing for public agencies
- ▶ Allows the formation of a Community Facilities District (CFD)
 - Also known as a "Mello-Roos District"

COMMUNITY FACILITIES DISTRICTS (CFD)

- ▶ Separate legal entity
- ▶ May be formed by any public agency with authority to provide public services/facilities
- ▶ Subject to majority protest
- ▶ Requires 2/3rd approval of registered landowners within proposed CFD
 - Vote usually occurs when developer is the sole landowner
 - Not affected by Proposition 218 requirements
- ▶ May issue bonds secured by levy of special taxes

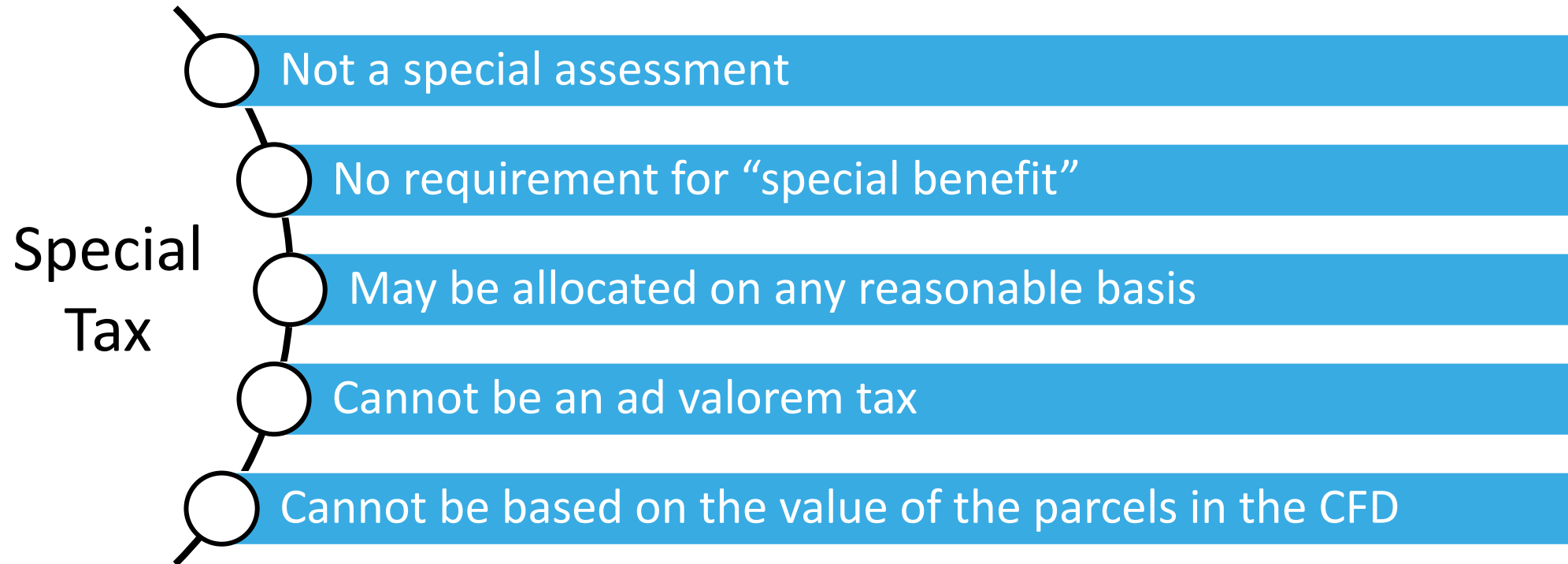
PURPOSE OF A CFD

- ▶ Provides versatile and flexible funding mechanism
- ▶ Places the cost burden for new infrastructure development and services solely on newly developing property and its owners
- ▶ New homeowners, for example, pay for new infrastructure development/obligations and additional services — not existing residents



CFD SPECIAL TAXES

- ▶ Levied in accordance with the methodology approved by voter(s) in the Rate and Method of Apportionment (RMA)
- ▶ Paid for by property owners within the CFD



CFD BONDS

- ▶ For Bonded CFDs, improvements are funded through the sale of land-secured municipal bonds
- ▶ Limited obligations payable from and secured by special taxes collected
- ▶ Public agency forming the CFD has no financial liability for bond payments
 - Levies, collects, and administers special taxes in accordance with bond documents
- ▶ Covenant to foreclose if special taxes not paid

WHAT FACILITIES CAN BE FUNDED?



Backbone
Infrastructure
Natural gas pipeline
facilities
Streets
Telephone lines,
electrical or cable lines



Libraries
Local parks
Open-space facilities
Parkways
Recreation



Childcare facilities
Elementary and
Secondary school sites
and structures



Flood and storm
protection facilities
Undergrounding of
water transmission
and distribution
facilities
Water and sewer
system facilities



Other local
government facilities
that the agency
forming the CFD is
authorized to
construct, own, or
operate

REQUIREMENTS OF A FACILITIES CFD

Useful Life

- 5 years or longer

Facilities Ownership

- Owned/operated by the local agency forming the CFD
- Owned/operated by another agency with overlapping jurisdiction through a Joint Community Facilities Agreement

Facilities Construction

- Includes purchase, construction, expansion, improvement, or rehabilitation
- Constructed on behalf of, or acquired by the local agency

Facilities Funding

- Pay-go funding through Special Taxes
- Financed through bonds issued by the CFD

WHAT SERVICES CAN BE FUNDED?

- ▶ Services must be NEW SERVICES to be provided within the boundaries of the CFD
- ▶ Police protection for raw land is considered a different service than police protection services for a newly built-out neighborhood



Police protection services

Fire protection and suppression services

Ambulance and paramedic services



Recreation program services

Maintenance services for elementary and secondary school sites and structures



Maintenance and lighting of parks, parkways, streets, roads, and open space



Operation and maintenance of museums and cultural facilities

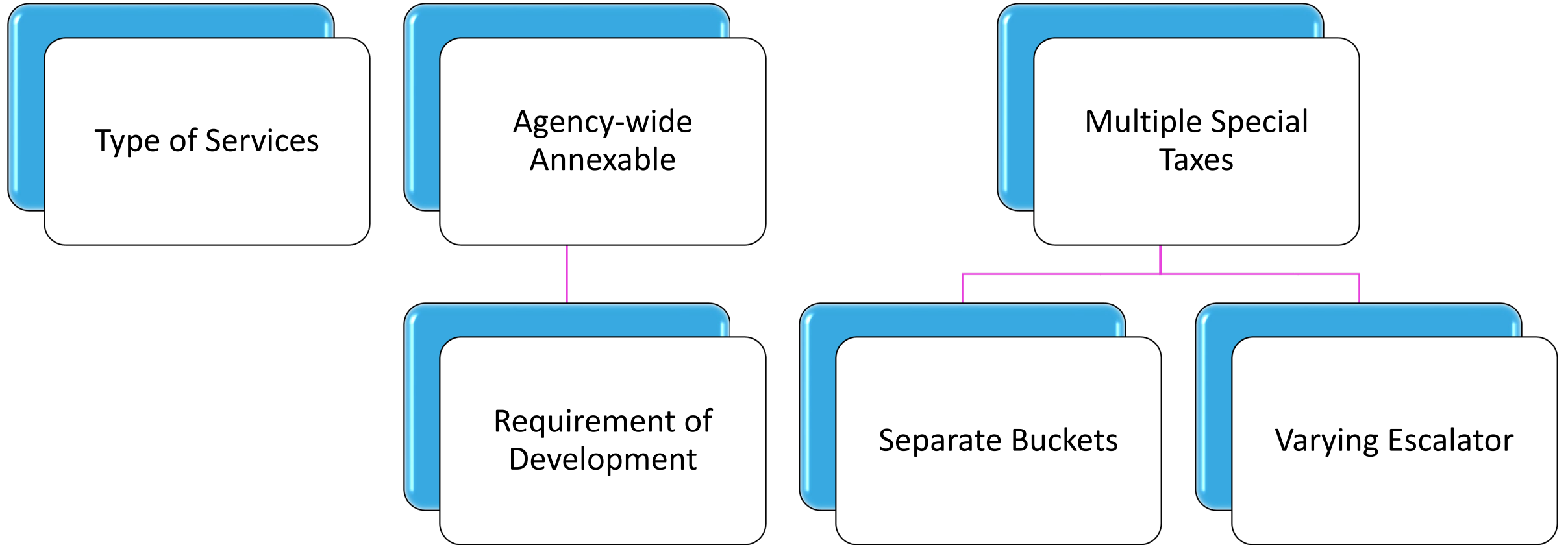
Library services



Services for hazardous waste cleanup

Flood and storm protection services

SERVICES - CONSIDERATIONS

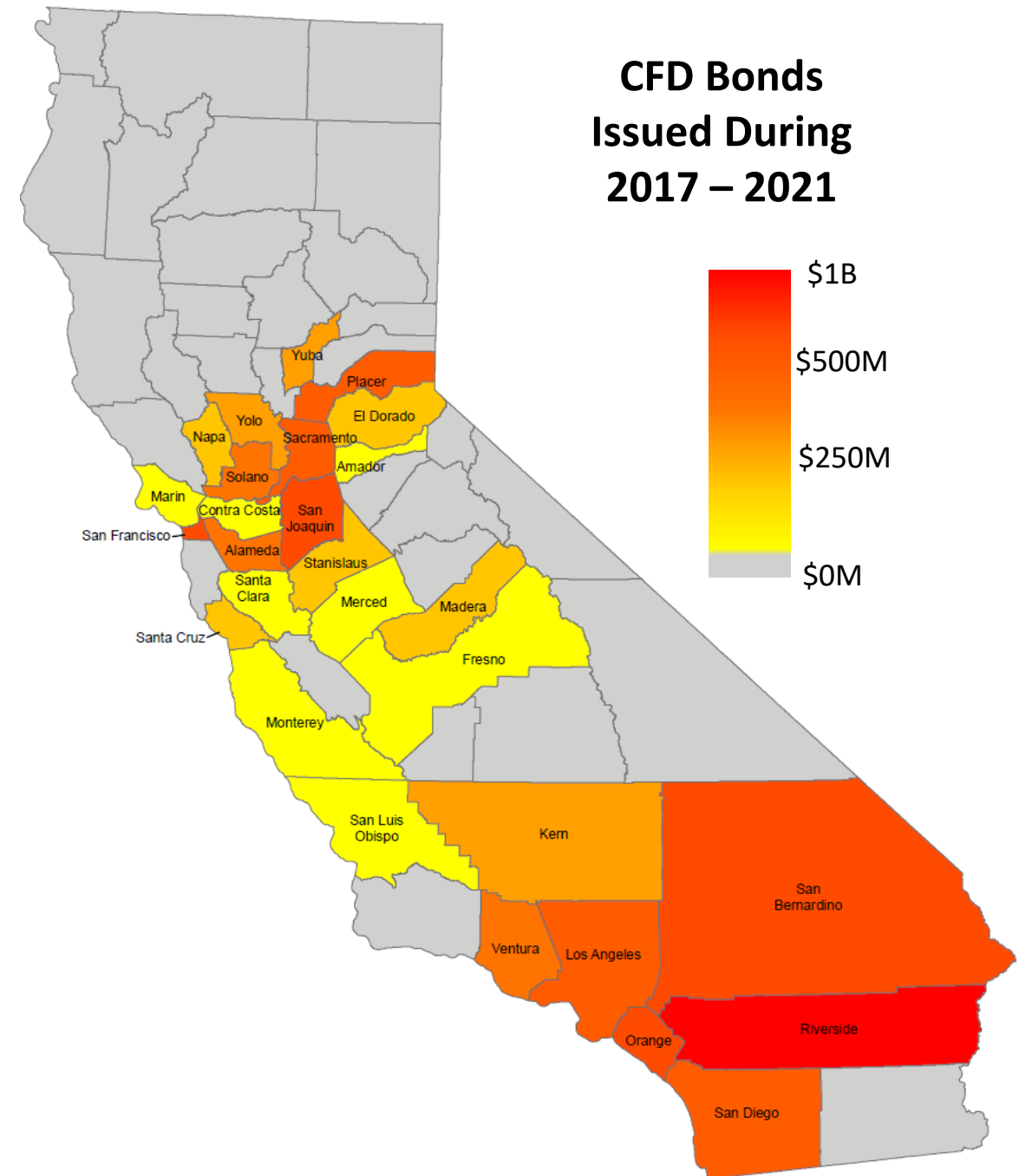


CALIFORNIA CFDs

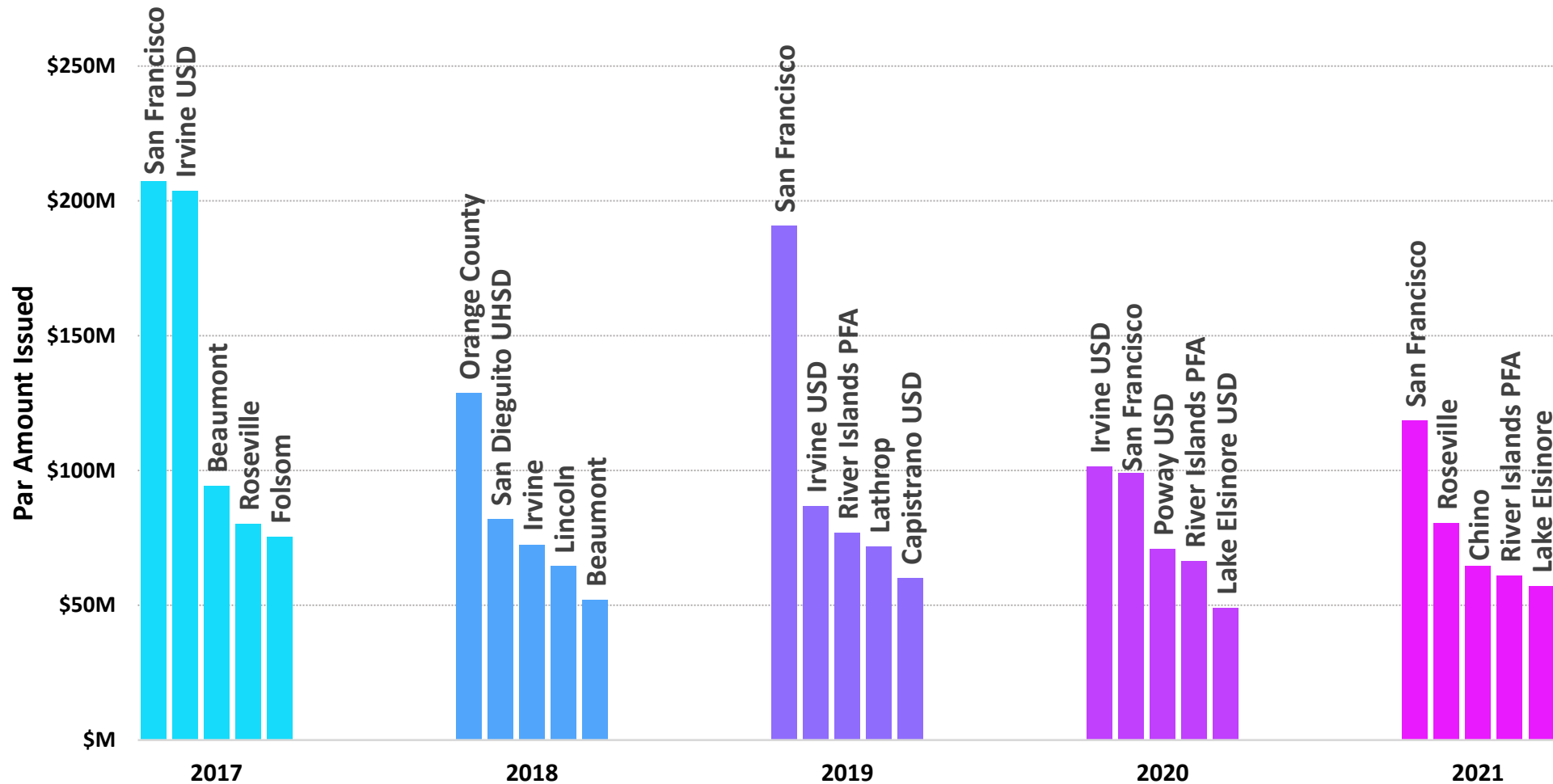
CFDs IN CALIFORNIA

CFDs used more frequently as a funding tool for public infrastructure in areas with:

- ▶ Residential housing demand
- ▶ Greater population growth and migration
- ▶ Closer proximity to job centers
- ▶ Access to main transportation corridors
- ▶ Developable land with infrastructure needs
- ▶ Accommodating public policy

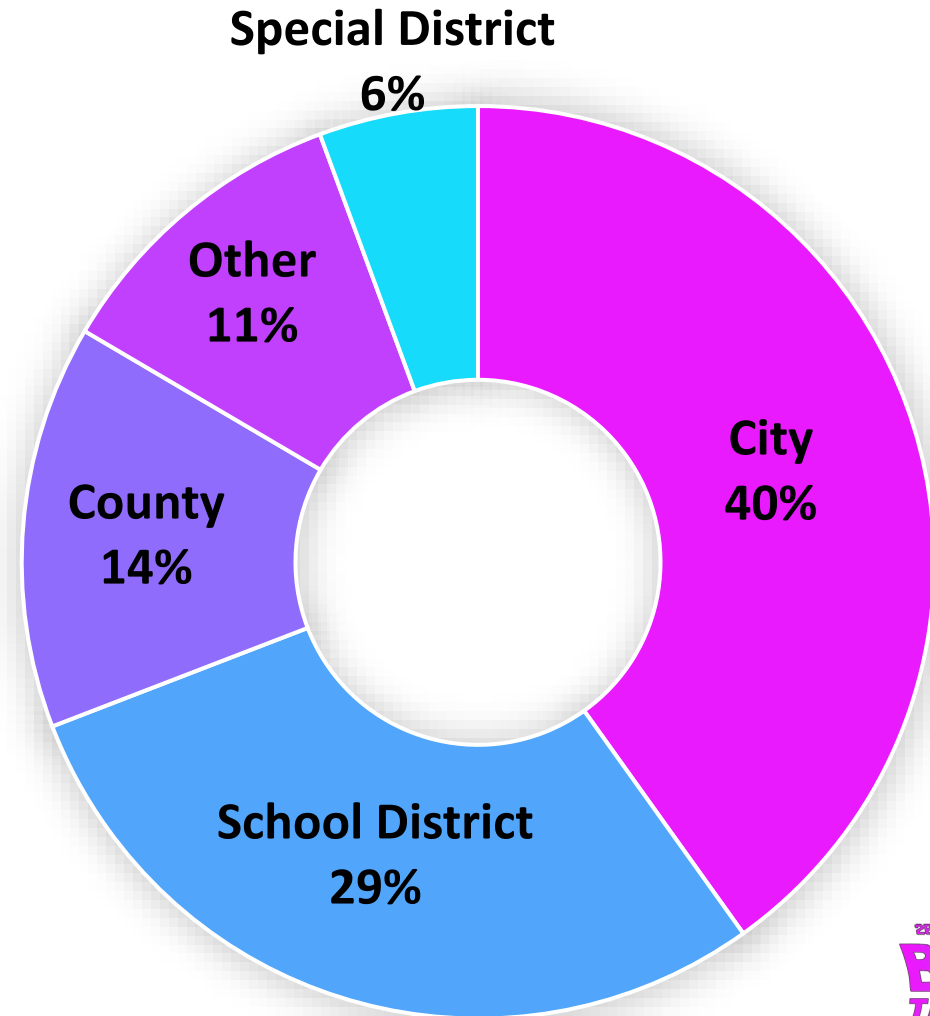


TOP 5 CFDs BY YEAR (2017-2021)

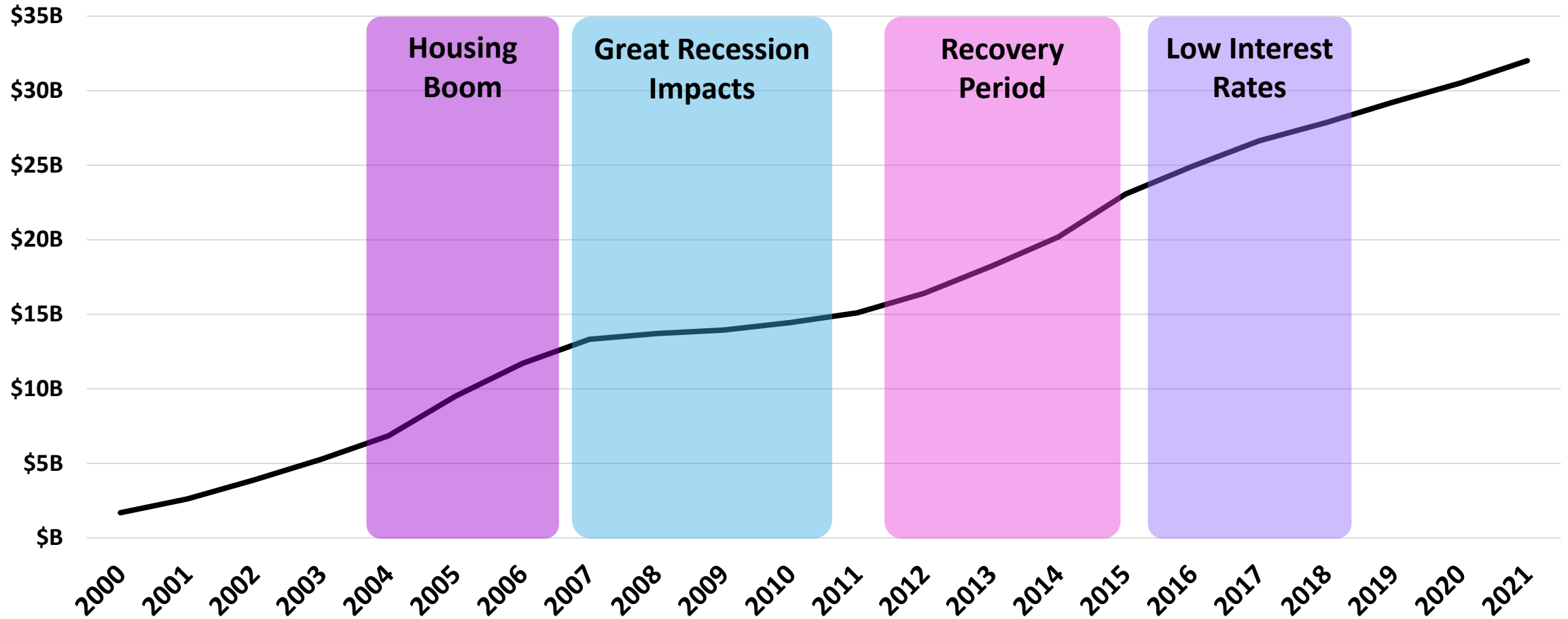


CFD ISSUANCE BY AGENCY (2017-2021)

- ▶ \$7.1 billion CFD bonds issued between 2017 – 2021
- ▶ Cities and School Districts represent largest share of par amount issued
 - Growing funding needs
 - Limited available resources
- ▶ Special Districts represent the most frequent issuers based on number of CFD bond issuances
 - Multiple issues
 - Smaller par amounts per issue

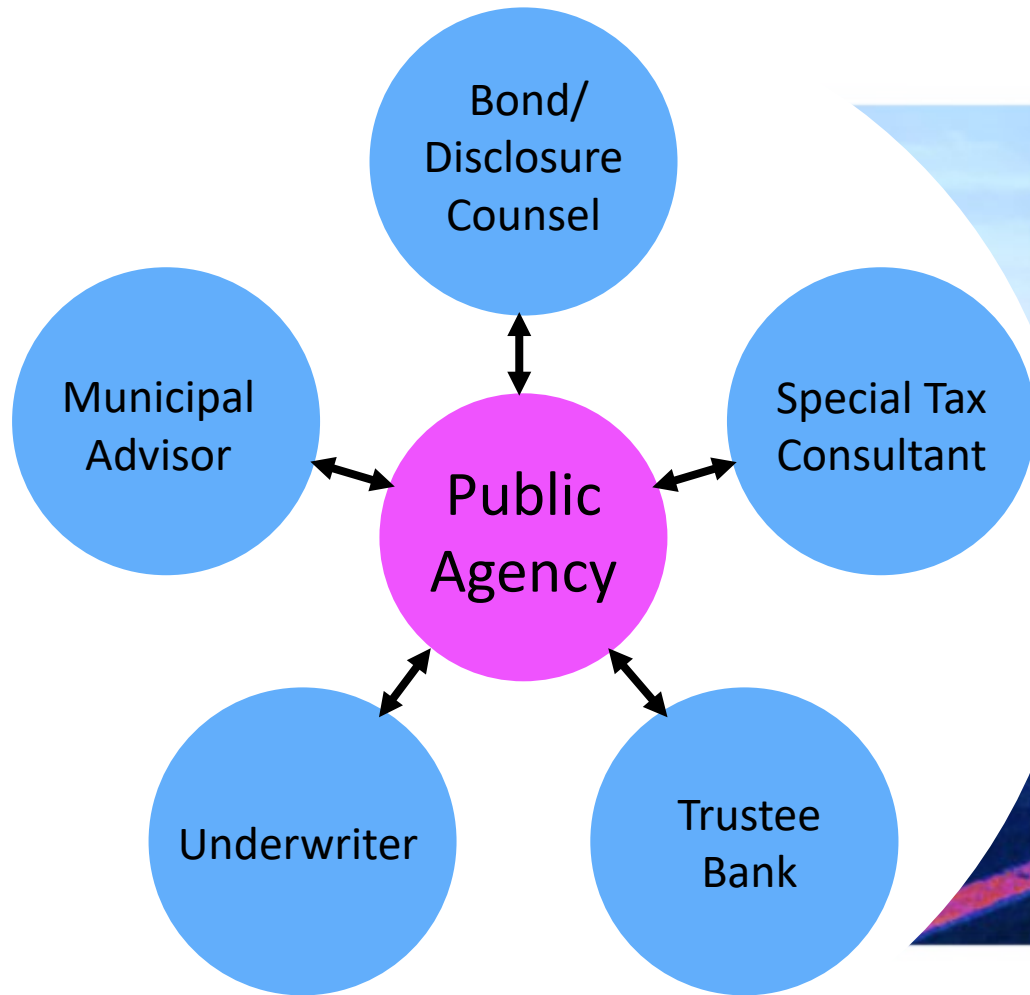


TOTAL CFD BONDS ISSUED (2000-2021)



COMMUNITY FACILITIES DISTRICT DETAILS

ESTABLISH A FINANCING TEAM



HOW IS A CFD FORMED?

Consent of legislative body required

Establish a Financing Team

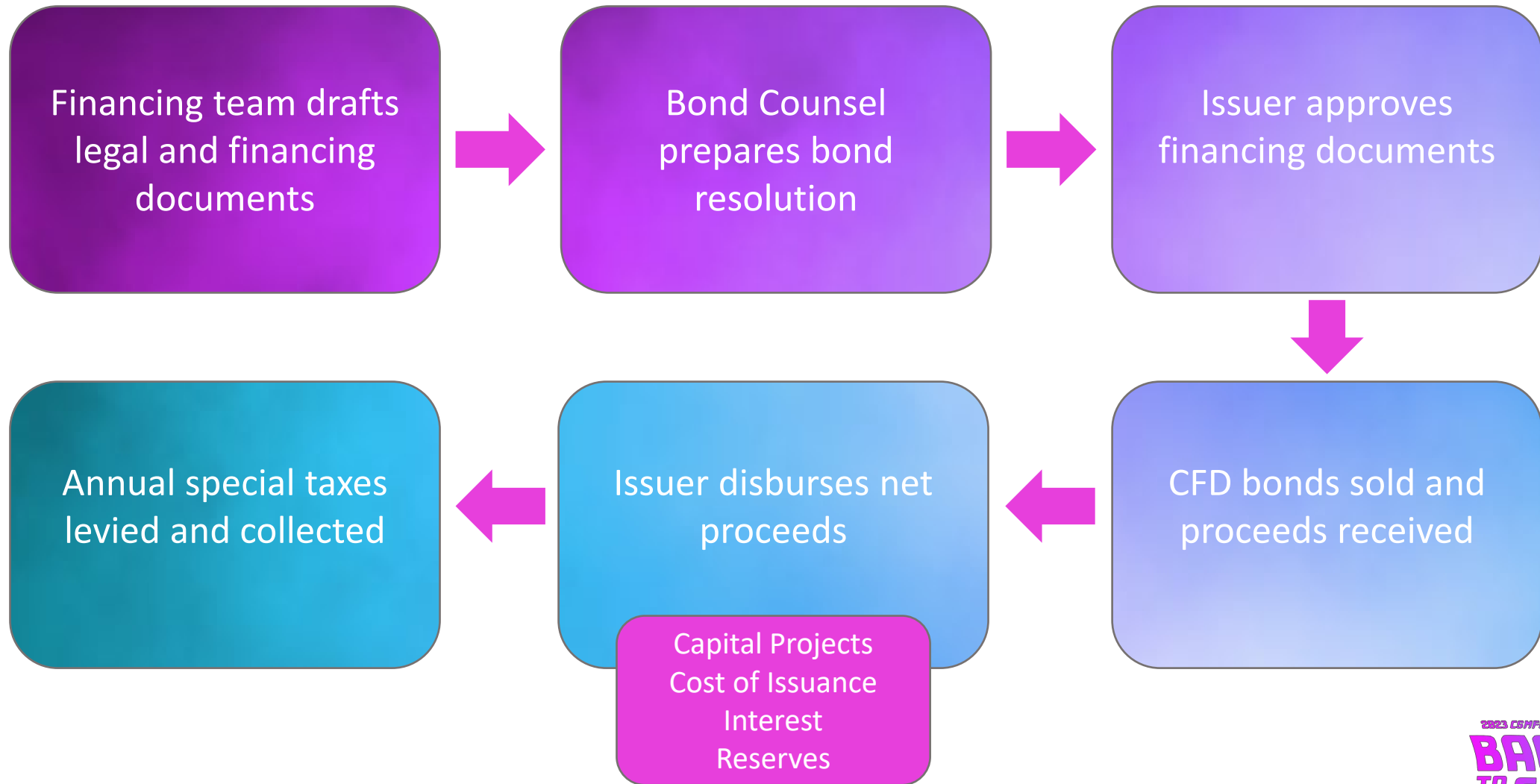
Get Land Secured Debt and Disclosure Policies in place

As Easy as time Travel:

- ▶ Set the Time
 - Petition
- ▶ Start the Engine
 - *Resolution(s) of Intention*
 - *Rate and Method of Apportionment & Boundary Map*
- ▶ Hit the Gas
 - *Public Hearing & Written protests*
- ▶ Reach 88 MPH
 - *Resolution of Formation*
 - *CFD Election*

Annexations

LET'S GET THESE FACILITIES FUNDED



WE WANT IT ALL – A CASE STUDY



Jurupa Community Services District Community Facilities District No. 54

- Formed: July 8, 2019
- First Annual Enrollment: FY 2019-20
- Bonds Issued: August 11, 2021

Facilities Special Tax

- ▶ Initial Special Tax Rates: \$2,725 to \$3,350
- ▶ No Escalation
- ▶ Agency Facilities Included
 - Neighborhood Park Fees \$1,691,280
 - Community Park Fees \$393,556
 - Water Facilities Capacity Fees \$1,379,278
 - Sewer Facilities Capacity Fees \$1,974,861
- ▶ JCFA Facilities Included
 - CNUSD Fees \$2,407,833
 - City of Eastvale DIF \$356,967
- ▶ Term of Tax: FY 2062-2063

Operations and Maintenance Special Tax

- ▶ Initial Special Tax Rates: \$427
- ▶ Escalates at the greater of CPI or 2%
- ▶ O&M Included
 - Streetscape Maintenance
 - Medians
 - Park Maintenance
- ▶ Term of Tax: Perpetuity

NOW WHAT? ADMINISTRATION!

Basics:

- Budgets (February through June)
- Enrollments (By August)
- Bond Payments (Vary)
- Delinquency Management (Mostly Bonded CFDs)

In-Depth:

- Parcel Changes
- Funds Analysis
- Bond Calls
- Prepayment Calculations
- Property Owner Phone Calls
- Reporting Requirements

REPORTING

Report Type	Due Date	Required CFDs
SB 165	January 1 (annually)	All bonded CFDs
AB 2109	January 31 (annually)	All CFDs which are annually levied
AB 1666	January 31 (annually)	All CFDs which are annually levied
SB 1029	January 31 (annually)	All bonded CFDs which issued debt on or after January 21, 2017
CDIAC	October 30 (annually)	Bonded CFDs for bonds sold after January 1, 1993
AB 1483	Ongoing	CFDs for Services or Facilities that are required as a condition of development
Disclosure Reports	Varies according to the requirements of the Continuing Disclosure Agreement (annually)	Bonded CFDs

FINAL CONSIDERATIONS

- ▶ Versatility
- ▶ Flexibility in Financing
- ▶ Increased Pace of Development
- ▶ Community and Homebuyer Appeal
- ▶ Administration and Reporting
- ▶ “Mello-Roos”: Negative Connotation with Higher Taxes
- ▶ Penalties if Property Owners Fail to Pay Special Taxes

RESOURCES

- ▶ CDIAC Debt Issuance Data <https://www.treasurer.ca.gov/cdiac/debt.asp>
- ▶ CSMFO Webinars & Resources <https://www.csmfo.org/training/webinars/>
- ▶ GFOA Debt Management <https://www.gfoa.org/best-practices/debt-best-practices>
- ▶ MSRB Education Center <https://www.msrb.org/EdCenter>
- ▶ MSRB EMMA Electronic Municipal Market Access <https://emma.msrb.org/Home>

THANK YOU



“If you put your mind to it, you can accomplish anything.”

– Marty McFly