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**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

SESSION 5: WHEN IS USING A CFD A BETTER CHOICE?

Community Facilities Districts

□ Mello-Roos Community Facilities Act of 1982

(Government Code 53311 et. seq.)

□ Funds construction of:

- Street improvements
- Water, Sewer, Storm Drain improvements
- Parks
- Libraries, Schools and Public buildings
- Development Impact Fees for any of the above

□ Not affected by Proposition 218



CFD Special Tax

- Funds the following services:
 - ▣ Police protection services
 - ▣ Fire protection and suppression services
 - ▣ Ambulance and paramedic services
 - ▣ Recreation programs, Libraries, Schools *
 - ▣ Parks, parkways and open space maintenance
 - ▣ Flood and storm protection services
 - ▣ Street maintenance

* Requires 2/3 registered voter approval

CFD Special Tax

- Formation Timeframe
 - ▣ Depends on voter pool (landowner or reg. voter)
 - Landowner vote if less than 12 registered voters
 - ▣ Preparing Required Documents: 3-6 months
 - ▣ Special Election: 90-180 days from public hearing
- Requires Special Election (which can be held at a regularly scheduled Council or Board meeting)
- Some legal timeframes may be waived if 100% unanimous consent by land owners

In Addition – The Parcel Tax

- General Parcel Taxes
 - ▣ Cities, Counties, Districts - Government Code Section 50075
 - ▣ School Districts - Government Code Section 50079

- Requires Election

- Pros and cons

Assessment Districts

- Formation Timeframe
 - ▣ Governed by Article XIII D of California Constitution (Proposition 218)
 - ▣ Preparing Engineer's Report: 3-4 months
 - ▣ Public Outreach: 6-12 months
 - ▣ Legal proceedings 60 to 90 days
- Requires Property Owner Approval via a Mailed Ballot
- Some legal timeframes may be waived if 100% unanimous consent by property owners

AD vs. CFD

- Assessment District
 - ▣ Annual renewal process required
 - ▣ Special vs. general benefit analysis
 - ▣ Cannot assess for general benefit
 - ▣ Very difficult to fund 100% of cost

- Community Facilities District
 - ▣ Sets a Maximum Annual Special Tax Rate
 - ▣ Rate may run in perpetuity
 - ▣ Agency sets rate annually, no lengthy renewal process
 - ▣ May fund 100% of cost, with exceptions for landowner approved CFDs
 - ▣ Allows for expedited future annexations



Case Studies

- Library facilities and services
 - ▣ City of Belmont
 - ▣ Belvedere-Tiburon Library District

- Parks and open space
 - ▣ East Bay Regional Park District
 - ▣ Greater Vallejo Recreation District

- School facilities and services
 - ▣ Empire Union School District



Case Studies continued

- City of Burlingame - Downtown Burlingame Avenue
 - ▣ Assessment District
 - ▣ BID
 - ▣ CFD or parcel tax



Suncreek



1,265 Gross Acres

- 82 Acres of Public Right of Way
- 390 Acres of Parks and Open Space
- 91 Acres of Commercial
- 534 Acres of Residential



Legend	
CMOR	CMOR
VC	VC
Canal	Canal
DR	DR
HDR	HDR
LDR	LDR
LFC	LFC
MOR	MOR
MicroRoad	MicroRoad
PC	PC
PP	PP
PQP	PQP
Park	Park
Road	Road
School	School
WS	WS
Wetland	Wetland

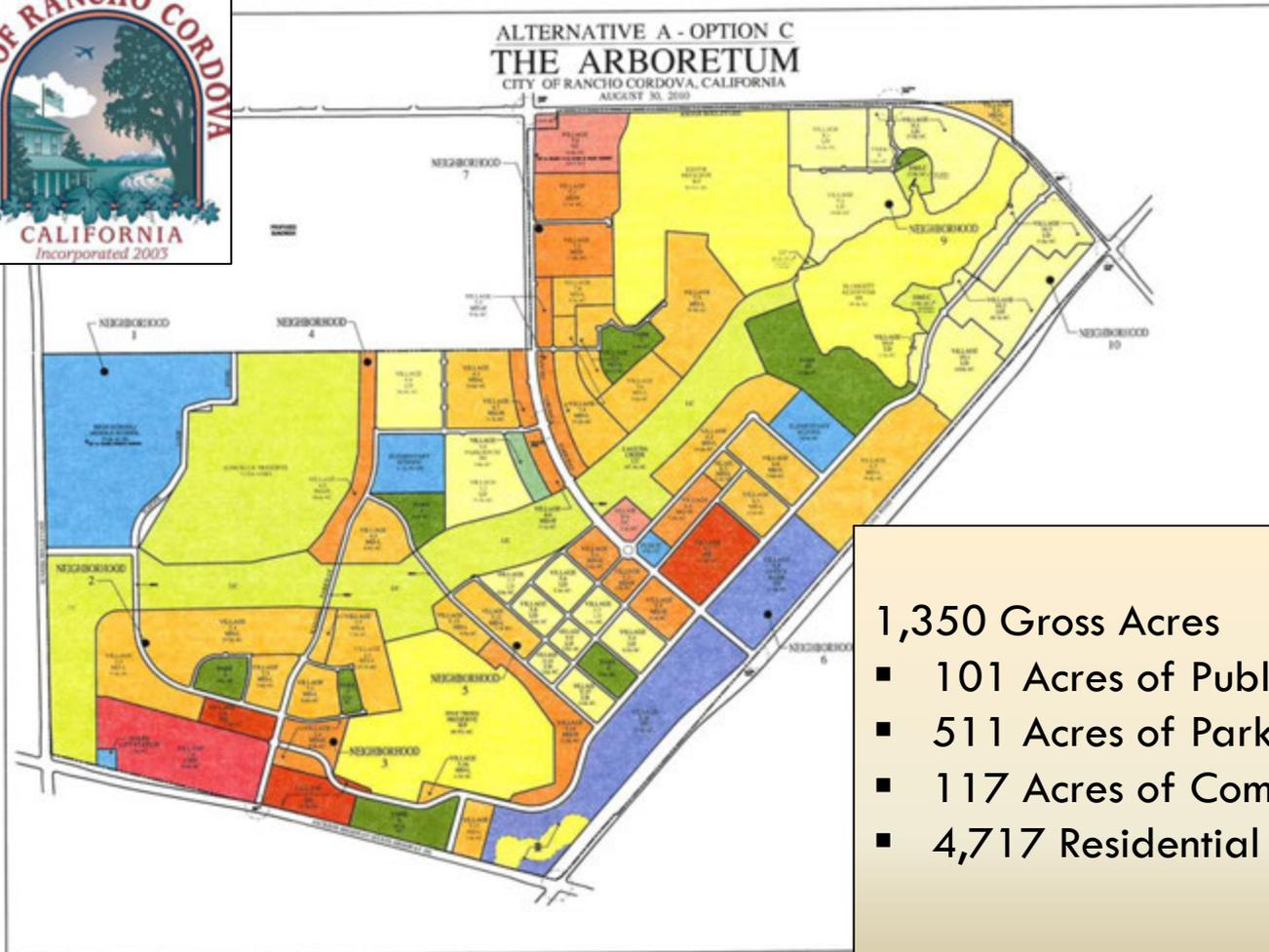


Updated Suncreek PFFP Land Use Area Summary (February, 2013)

The Arboretum



ALTERNATIVE A - OPTION C
THE ARBORETUM
CITY OF RANCHO CORDOVA, CALIFORNIA
AUGUST 30, 2010



1,350 Gross Acres

- 101 Acres of Public Right of Way
- 511 Acres of Parks and Open Space
- 117 Acres of Commercial
- 4,717 Residential Units

Rio Del Oro

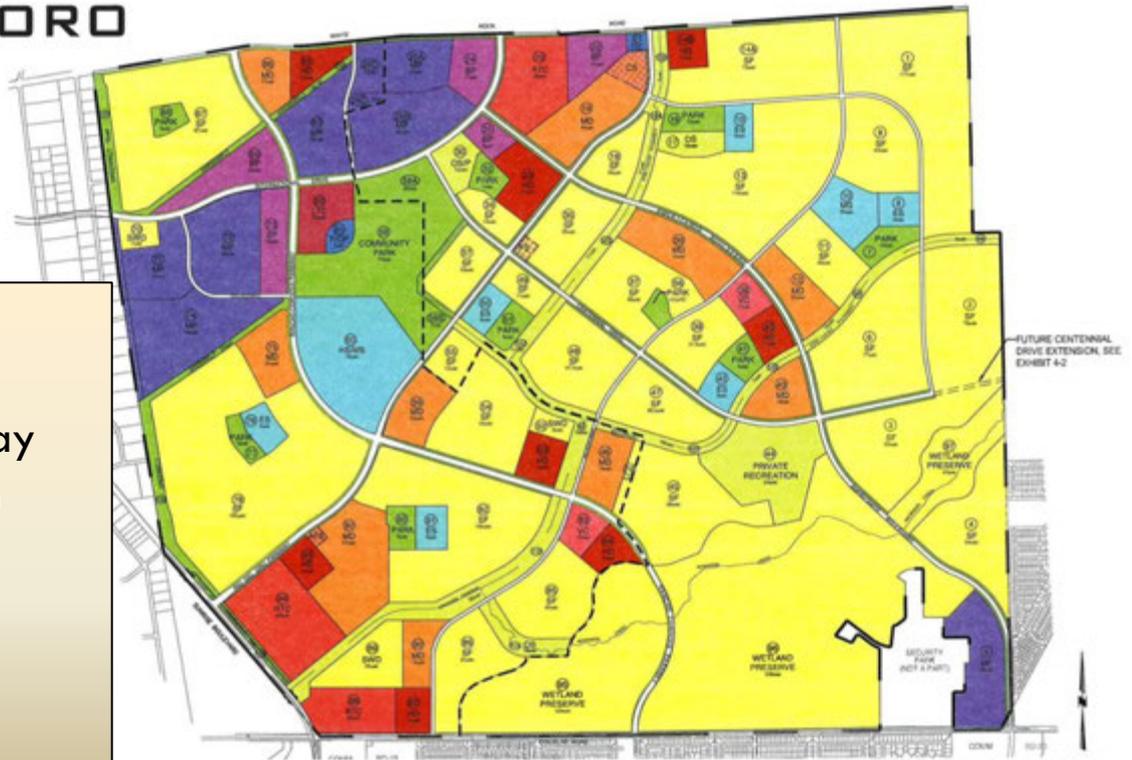


LAND USE PLAN RIO DEL ORO

Section 3: Land Use Element

3,828 Gross Acres

- 192 Acres of Public Right of Way
- 1,090 Acres of Parks and Open Space
- 522 Acres of Commercial
- 11,600 Residential Units



FUTURE CENTENNIAL
DRIVE EXTENSION, SEE
EXHIBIT 4-2

Exhibit 3-2
Land Use Plan

Rio Del Oro Specific Plan

Rancho Cordova CFD 2008-1

- **CFD No. 2008-1 (Road Maintenance)**
 - ▣ Established for the existing developed area of the City
 - ▣ Developing parcels and redeveloped responsible for maintenance of new streets
 - ▣ Rate for road maintenance, residential alleys, excessive load and decorative lighting

Rancho Cordova CFD 2013-1

- **CFD No. 2013-1 (Storm and Flood Protection Services)**
 - ▣ Provides funding for storm drain maintenance, NPDES compliance and water quality monitoring
 - ▣ All new developments required to participate

Rancho Cordova CFD 2013-2

- **CFD No. 2013-2 (Police Services)**
 - ▣ Provide funding for the increased cost of police protection services from new development
 - ▣ All new developments required to participate

Rancho Cordova CFD 2013-3

- **CFD No. 2013-3 (Street, Lighting and Landscaping Maintenance)**
 - Established for the new development areas
 - New developments responsible for maintenance of new public improvements
 - Rate for road, street lighting and landscaping maintenance with additional factors for residential alleys, excessive load, and decorative lighting

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BOND FINANCING OPTIONS USING SPECIAL TAXES

Legal basis for issuance of Special Tax Bonds

- Community Facilities Districts
 - Mello-Roos Community Facilities Act of 1982
 - Articles XIII A & XIII C of CA Constitution
 - Charter Cities can use legislative powers

Why do Public Agencies issue Community Facilities District Bonds?

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- It is a tool to finance infrastructure and to have the costs paid by those who benefit from the improvements
- In other words, infrastructure provided without City general tax dollars or existing resident's tax dollars
- And in most cases it allows the City to get more infrastructure sooner and at a lower costs than if it was built under the City's typically Capital Improvement Program and available funding sources

Usual Sequence of Events

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1. Local Agency / Property Owner Petition Initiated
2. Local Goals & Policies adopted
3. Legislative Body Commences CFD Proceedings
4. Public Hearing
5. Election
6. Final Actions Taken by Legislative Body
7. Bonds Issued
8. Annual Special Taxes levied to pay debt service on the Bonds
9. Project Costs Funded/Reimbursed
10. Public Agency administers the District until Bonds mature



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Community Facilities District Bond Issuance

Bond Issuance steps

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□ How do we do it?

1. Financing team drafts financing, legal and financing documents including:
 - Resolutions
 - Bond Indenture
 - Preliminary Official Statement/Official Statement (includes appraisal/Market Analysis/CFD Report)
 - Continuing Disclosure Agreement
 - Bond Purchase Agreement
2. Issuer approves financing documents and present reports to the policy makers
3. Issuer sells bonds to underwriter
4. Underwriter sells bonds to investors

Bond Issuance steps - *continued*

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- How do we do it? *(continued)*
 5. Issuer receives \$'s from investors in exchange for bonds
 5. Net proceeds used to pay for capital projects
 6. Annual Special Taxes levied and collected to pay debt service on the Bonds per Rate and Method of Apportionment

Financing Team Members

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- **Public Agency** – presents report, documents and recommendations to the policy-makers for their deliberation
- **Bond Counsel** – prepares all required bond documents and provides legal opinion
- **Financial Advisor** – fiduciary responsibility to issuer to protect their financial interests and provide independent financial advice related to the issuance of bonds
- **District Administrator** – assists Issuer in preparing tables for the disclosure documents and administering the Community Facilities District

Financing Team Members *continued*

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- **Appraiser** – estimates value of assessed property subject to the special tax lien
- **Underwriter** – buys the bonds from the issuer and then sells them to investors
- **Disclosure Counsel** – prepares bond sale financing documents (Official Statement, Bond Purchase Agreement, Continuing Disclosure Agreement)
- **Fiscal Agent** – holds, invests and disburses funds at direction of Issuer

Initial Bond Disclosure

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- Preliminary Official Statement
 - *Tell the truth, the whole truth and nothing but the truth*
- Requirements continue to evolve and are becoming more stringent

Administering the Community Facilities

District Bonds

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- It is important to know your Community Facilities District
- Make sure you ask a lot of questions and get good answers from your Financing Team
- In most cases, the Public Agency is the only one there for the full term of the Community Facilities District Bonds

Basic Steps of Community Facilities District Bond Administration

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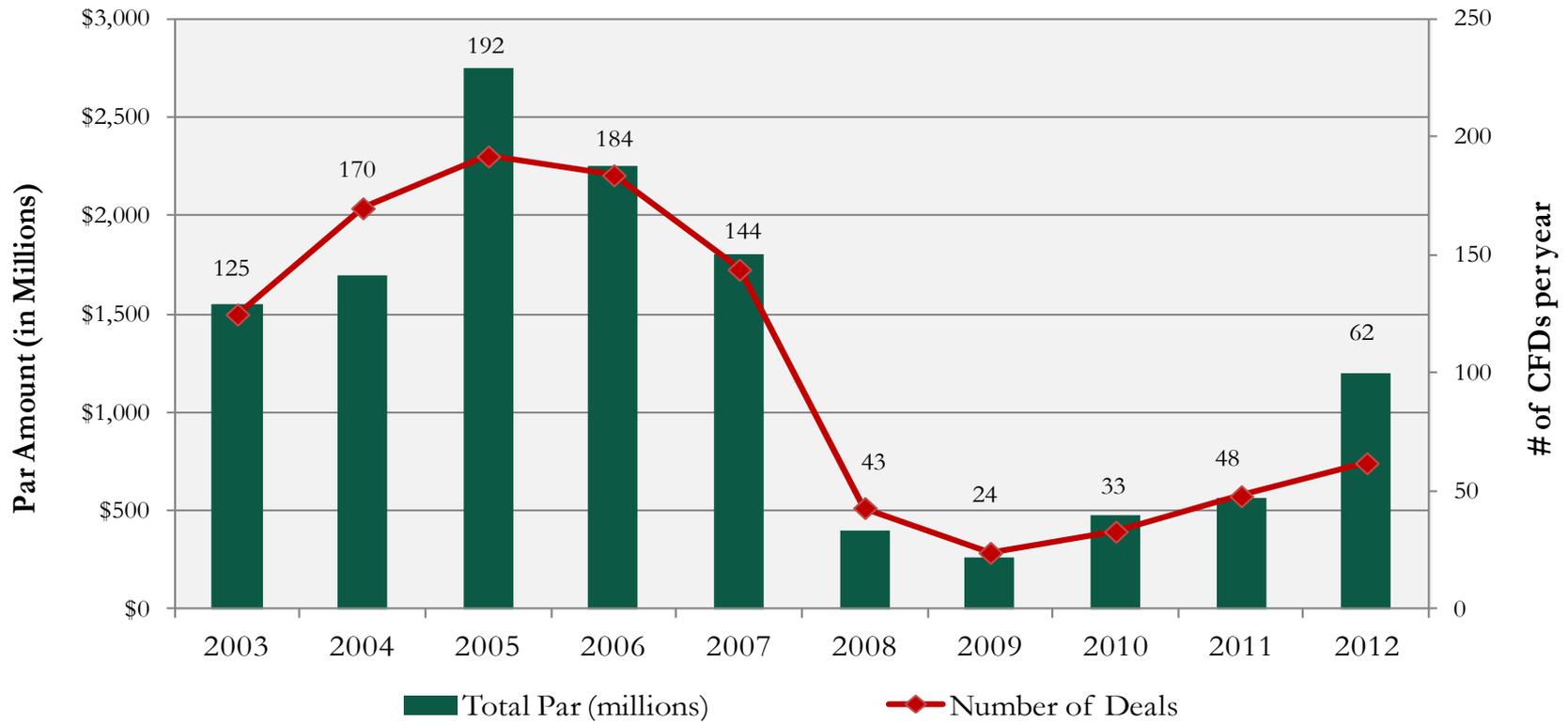
- Manage the Bond Funds
- Meet the annual administrative requirements
- Customer Service with impacted property owners and others
- Delinquency Management
- Continuing Disclosure
- Investment of Bond Proceeds
- Arbitrage Rebate Calculations

Are Governmental Agencies issuing Community Facilities District Bonds?

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- Yes, on average over the last 10 years there have been approximately 102 Community Facilities District Bonds issued in California each year
- The average dollar amount of Community Facilities District Bonds sold in California over the last 10 years is approximately \$1.3 Billion per year

Community Facilities District Issuance History for last 10 Years



Breakdown of CY 2012 Community Facilities District Bonds

ISSUANCE BREAKDOWN

62 Closings	\$1,244,814,536 in Par
47 Transactions were refundings	\$969,289,536 in Par
Median issue size	\$15,931,622

ISSUERS

23	School Districts
28	Cities
3	Special Districts
5	Counties
3	Misc.

LOCATION

14	Northern California
48	Southern California

RATING

17	Standard & Poors
4	Moody's
1	Fitch

Source: California Debt and Investment Advisory Commission

Questions?



Bond Financing Options Using Special Taxes