

SESSION FIVE

Ongoing CFD Administration–Part I

Ongoing CFD Administration

- Calculate annual special tax levy
- Monitor and manage delinquencies
- Calculate arbitrage rebate due to federal government
- Comply with federal and state disclosure requirements
- Other annual CFD administration responsibilities

Calculating the Annual Special Tax Levy

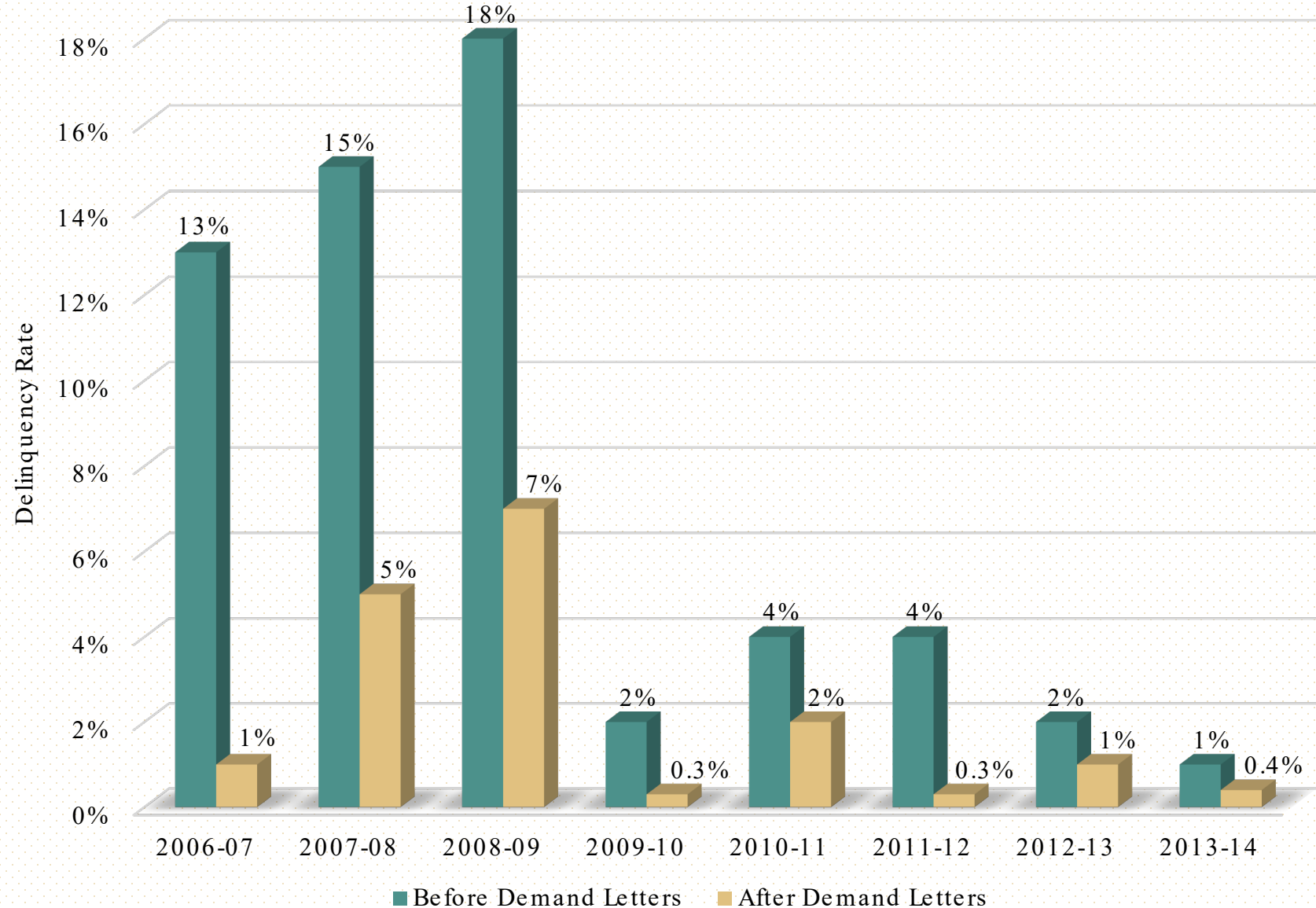
- Assign taxable parcels to appropriate special tax category
- Calculate “special tax requirement”
 - Debt service
 - Administrative expenses
 - Pay-as-you-go facilities costs (if applicable)
 - Services costs (if applicable)
- Apply RMA to determine special tax for each parcel
- Submit levy to auditor’s office before deadline (usually the first week of August)
- Almost all CFD special tax levies require no action from the legislative body

Delinquency Management

- For delinquent payments, demand letters should be sent soon after April 10 (for large tax payments, send after December and April installments)
- For homes in foreclosure, send demand letters to the bank
 - Mello-Roos special tax lien is senior to mortgage lien
 - Accelerated foreclosure provision is an effective motivator
- Even in Teeter Plan counties, don't wait to act
 - Cumulative delinquencies are harder to remedy
 - Land-secured districts can be removed from Teeter at any time
- Strip Mello-Roos taxes for payment if the homeowner cannot pay the full tax bill
- Inform the tax collector that payment plans will not work for special taxes and assessments

Managing Special Tax Delinquencies

*Sample of
Central Valley
CFDs during
Great Recession*



Arbitrage Rebate Calculations

- “Positive arbitrage” occurs when investment earnings on bond proceeds are greater than the interest rate paid on bonds
- Every five years, excess earnings must be rebated to the internal revenue service within 60 days after year-end
- Doing an annual calculation avoids trying to collect a large amount in the fifth year, which may be impossible within maximum tax rates
- Applies to proceeds from the bond issue. Does not generally apply to PayGo revenues.

Annual Reporting

- **SEC Rule 15c2-12 (Continuing Disclosure)**
 - Obligated persons: issuer and developer
 - Annual/semi-annual/quarterly reports and notice of listed events
 - File on the EMMA System of the Municipal Securities Rulemaking Board
- **California Debt and Investment Advisory Commission**
 - Yearly fiscal status report: October 30 deadline
 - Annual Debt Transparency Report: January 31 deadline
 - 10-day significant event reporting: form provided
- **State Controller's Office**
 - AB 2109 Parcel Tax Reporting: included in Financial Transactions Report
- **Local Agency Special Tax & Bond Accountability Act (SB 165)**
 - Report filed with Clerk each year
 - CFD Administration Report will suffice
- **Assembly Bill 1483**
 - Requires public agencies to post on their website a current schedule of fees, exactions, and affordability requirements imposed on housing developments
 - Special taxes are an exaction and must be posted
 - Information must be updated within 30 days of any changes, including annual escalation of special taxes

Other Annual CFD Administration Responsibilities

- Reconcile bank statements from fiscal agent/trustee
- Prepayment calculations
- Record releases of special tax lien
- Disbursing/investing bond proceeds
- Acquisition of facilities (to be discussed in more detail)
- Answer questions from homeowners, appraisers, realtors, bond investors

Consultants or Staff?

Considerations

- Experience of staff
- Existing workload
- Number of CFDs formed by the agency
- Complexity of CFDs
- Combined Approach