



# Community Facilities District Presentation

**Presented by**

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**December 5, 2023, Workshop**



# Agenda

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# Agenda

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- Background
- Land Secured Districts Overview
- Community Facility District for Public Safety Services
- Fiscal Impact Analyses
- Community Facilities District Goals and Policies



# Background

## Council Actions

- Community Facilities District (CFD) Goals and Policies

## Murrieta Future Growth

- Single and multi-family housing development
- Built-out projections
  - Population  $\approx$  150,000
  - Units  $\approx$  13,000 – 14,000 units
- Need to ensure adequate infrastructure and public services are available to support the growth while maintaining the quality of life for the current residents and business owners.





## Background

Recent updates have been made to several Land Use and Infrastructure policies in the adopted General Plan:

- LU-1.7 Ensure necessary capital improvements are in place prior to new development or completed concurrently.
- LU-1.8 Ensure fiscal impacts associated with growth and change are evaluated to ensure the City's ability to provide vital services is not compromised.
- LU-4.1 Provide for housing opportunities that address the needs of those who currently live or desire to live in Murrieta.
- INF-1.20 When considering development and City annexations, include assessment of all impacts to public facilities, services, and infrastructure, and identify any necessary mitigation.



## Background

Review of the City's plan and approach to allow financing of infrastructure and public services:

- Metrics and City's policies (General Plan, professional organization staffing model)
- Impact on Public Safety level of services
- Identifying the needs of the development community to ensure quality housing projects and service deliverability





# Community Facilities District for Public Safety Services

Why a Community Facilities District for Public Safety Services?

Murrieta Public Safety

- Safest Cities
- Population  $\approx$  115,000

Personnel

- Police      106 sworn officers
- Fire        62 sworn Suppression Personnel



# Community Facilities District for Public Safety Services

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## Public Safety Projected Staffing Needs

### Police

- 44 sworn officers
- 20 support staff (Dispatchers, Professional)

### Fire

- 20 sworn Suppression Personnel
- Financial Resources

### General Fund Impact





## What is a “Land-Secured” District?

Generally, refers to either an Assessment Districts (“ADs”) or Community Facilities Districts (“CFDs”). Predominantly used to finance new development.

- Due to flexibility, CFDs are the norm for new development
- ADs are often used with existing homeowners or policy preferences
  - E.g., undergrounding of utility lines
- ADs levy “assessments”, CFDs levy “special taxes”
- AD levies are based on special benefits to each individual property owner (consultant’s report showing benefit proportional to levy is required) and requires only a majority vote
- CFD levies are based on general benefits and requires a 2/3rds vote



## What is a CFD?

A method of financing public improvements and certain services by imposing a “special tax” on real property in a limited geographic area to:

Pay debt service on bonds issued to finance capital improvements

Finance authorized capital improvements on a pay-as-you-go basis

Finance certain public services (i.e., landscape maintenance, police and fire)

- CFD Bonds are limited obligations, payable SOLELY from annual special taxes – an annual lien on property for the CFD’s life – paid for by property owners (homeowners)
- CFDs are separate legal entities. The City has *no financial liability* for bonds. The CFD will have no staff, so City staff will work with the County to levy, collect, apply and enforce the special taxes
- CFDs can be formed by a City, County, School District, and Special District





## What can a CFD Fund/Finance?

CFDs can fund backbone infrastructure, including:

- Street improvements (including gutters, streetlights and more)

- Water, sewer, storm drain improvements

- Parks, libraries, schools, childcare facilities, community centers, animal shelters, performing arts centers, sports complexes and museums

- Development impact fees and planning and design costs for any of the above



## CFD Levy Mechanism

Rate and Method of Apportionment (RMA) sets a Maximum Annual Special Tax Rate approved by CFD voters

Maximum tax rate may escalate (i.e., 2% per annum)

Term of tax may outlive term of bonds

Cannot be directly based on property value (a.k.a. an ad valorem charge)

Collected by the County on the property tax bill

Special tax is not a special assessment

May be based on any “reasonable” basis (except ad valorem), as determined by the City Council



# Usual Sequence of Events

1. Property owner petitions to form CFD; City Council has 45 days to estimate costs needed to form CFD and demand deposit of funds from petitioner (governed by Deposit and Reimbursement Agreement)
2. City Council commences CFD proceedings by adopting Resolution of Intention (ROI) to form CFD (consultant needed to develop Rate and Method of Apportionment; bond counsel needed to draft formation documents)
3. Public Hearing (at least 30 days after ROI approved)
4. Adoption of Resolutions forming CFD and determining necessity to incur bonded indebtedness
5. Election to authorize special tax levy and authorize bond issuances
6. Introduce Ordinance Authorizing the levy of the Special Tax
7. Record Notice of Special Tax Lien with County Recorder
8. Enact Ordinance Authorizing the levy of the Special Tax
9. Proceedings to issue bonds (bond and disclosure counsel needed to prepare bond documents, Appraisal of properties in CFD)
10. Special Taxes levied to pay debt service on the bonds, pay-go, and services, if applicable
11. Project costs funded or reimbursed
12. City administers CFD until bonds mature





## Landowner Deposit to Pay Formation and Issuance Costs

Separates real developers and projects from “speculators”

Deposit used to cover City’s costs and consultant fees

- Bond Counsel
- Financial Advisor
- Special Tax Consultant
- Appraiser
- Absorption Consultant
- Other Expenses

Landowner reimbursed from bond proceeds

Refund any unexpended amount if CFD formation ceases





## Agencies Using CFDs

### Riverside County – FY 2023-24

- Cities – 42% of all CFDs, and 72% of Services Districts
- School Districts – 30% of all CFDs, and 42% of Facilities
- Water Districts – 22% of all CFDs, and 23% of Facilities

Agency Type	Facilities	Maintenance Services	Public Safety	Total
Cities	239	196	17	452
School Districts	324	-	-	324
Water Districts	179	53	-	232
Special Districts	16	16	-	32
County of Riverside	16	12	-	28
<b>Total</b>	<b>774</b>	<b>277</b>	<b>17</b>	<b>1,068</b>



## CFDs within the City

### Previously formed City CFDs

CFD 2000-1 GREER RANCH

CFD 2001-1 MURRIETA HIGHLAND

CFD 2003-2 BLACKMORE

CFD 2003-4 BLUESTONE

CFD 2000-2 THE OAKS

CFD 2003-1 MURRIETA SPRINGS

CFD 2003-3 CREEKSIDE

CFD 2004-1 BREMERTON

CFD 2004-2 MURRIETA FIELDS

CFD 2005-1 SPRINGBROOK

CFD 2001-1 IA B HIGHLANDS

CFD 2000-2 IA B THE OAKS

CFD 2004-3 MEADOWLANE

CFD 2005-5 GOLDEN CITY IA A

CFD 2005-5 GOLDEN CITY IA B

Agency Name	Total
City of Murrieta	15
Murrieta Valley USD	25
Eastern Municipal WD	3
Rancho California WD	3
Elsinore Valley WD	2
County of Riverside	1
<b>Total</b>	<b>49</b>





# General Fund Analysis

Analyzed the City's General Fund for future development impacts

## Planning Department:

- Current General Plan
- Any revised Specific Plan Amendments
- Current population per household by residential type (SFR, MFR)
- Remaining development list (total units planned)
- Projected Population Growth

## Finance Department:

- Line Item by Department budget detail in electronic format
- Public Safety Staffing needs
- Average Police personnel cost
- Average Fire personnel cost



# Residential Development

## Population Growth

- Population as of 2022 was 114,541
- New Residential brings 36,941 additional population
- Total FY 2039 Population of 150,806 growth of 24%

Residential Development	New Units	Population
Single Family Residential	3,379	11,151
Multi-Family Residential	9,600	24,000
Affordable Housing Units	1,000	1,790
<b>Total Residential Units</b>	<b>13,979</b>	<b>36,941</b>





## Increased Public Safety Personnel

The increase in population will require additional police and fire personnel.

- 64 total positions for the Police Department
- 20 positions for the Fire Department

Police Department	No.	Fire Department	No.
Captain	1	Firefighters (truck)	3
Lieutenants	2	Medic Patrol	6
Sergeants	8	Division Chief	1
Officers/Corporals/Detectives	33	Fire Station 6	9
Dispatchers	10	Fire Inspector	1
Professional Staff	10		
<b>Total Positions</b>	<b>64</b>		<b>20</b>



## General Fund Expenditures

We identified the total Direct Expenditures of \$77,497,830 for FY 2022-23.

- These expenditures represent the true costs realized in the daily operations (basic level of services approved by the City Council) and excludes any one-time costs and capital projects.
- Public Safety Services makes up 72% of the total expenditures consisting of:
  - Police Services - \$34.5M and Fire Services - \$21.4M





## General Fund Expenditures

Total Projected Direct Expenditures for FY 2038-39 is \$145,079,341

- Based on City's Long-Term Financing Plan
- Anticipated increase in service costs is 3% except Public Safety which also includes new personnel costs
- New personnel anticipated cost increases are:

Police - \$27.6M

Fire - \$13M

Includes Salaries and Benefits, Ancillary, and Indirect Costs



## General Fund Revenues

For FY 2022-23 the two largest revenues are Property Tax and Sales and Use Tax

- Property Tax consists of \$9.1M of base property tax and \$12.8M of fire protection property tax for a total of \$21.9M
- Sales Tax consists of 1% of all taxable sales and an additional 1% for Measure T totaling \$20.6M
- Total Direct Revenues are \$69,730,885





## Findings

New Residential Development responsible for 24% of total population at build-out expenditures - \$34.9M

New Development GF revenues able to be generated - \$28M

Amount to be mitigated to safety services by new development - \$6.8M

### CFD Tax Rates

- **\$580 per SFR**
- **\$468 per MFR**
- **\$250 per AHR**

Description	Total
<i>General Fund Expenditures New Development</i>	
Total General Fund Expenditures	\$145,079,341
Percent of Residents Served	24%
<b><i>Allocable Share for new development</i></b>	<b><i>\$34,887,811</i></b>
<i>General Fund Revenues New Development</i>	
Property Tax & Transfer Tax	\$8,919,165
Sales and Use Tax	\$15,414,576
Franchise Fees	\$1,466,038
Fire Special Assessment	\$570,902
Fines, Forfeiture, Misc. Revenues	\$1,725,847
<b><i>Total General Fund Revenues</i></b>	<b><i>\$28,096,529</i></b>
<b>Mitigation Amount</b>	<b>\$6,791,282</b>



# Fiscal Impact Sample Property Tax Bill Comparison

Home Value		\$550,000
<b>Ad Valorem Property Taxes:</b>	<b>Net Rate</b>	<b>Net Tax</b>
01-0000-GP GENERAL PURPOSE	1.000%	\$5,500
03-8601-D PERRIS UNION HS	0.089%	\$487
03-9201-D MT SAN JACINTO JR COLLEGE	0.014%	\$73
04-5301-D MWD EAST 1301999	0.004%	\$19
04-5954-D EMWD IMP U-35	0.009%	\$47
04-5955-D EMWD IMP U-36	0.009%	\$47
03-3901-D MENIFEE SCHOOL	0.063%	\$341
<b>Total General Property Taxes</b>	<b>1.185%</b>	<b>\$6,515</b>
<b>Assessment, Special Taxes &amp; Parcel Charges:</b>		
68-4341-FC MURRIETA FIRE PROTECTION	NA	\$40
68-4266-FC MURRIETA PARKS & REC	NA	\$45
68-4265-FC MURRIETA CSD	NA	\$45
68-1861-FC CSA 152-MURRIETA STORMWATER	NA	\$10
68-1379-FC FLD CNTL STORMWATER	NA	\$4
68-3282-FC CFD 92-1 PERRIS UNION HS	NA	\$323
68-5305-FC MWD STANDBY EAST	NA	\$7
68-5402-FC EMWD INFRASTRUCTURE CHARGE	NA	\$15
<b>PROPOSED CFD</b>	<b>NA</b>	<b>\$4,000</b>
<b>Total Assessments &amp; Special Taxes</b>		<b>\$4,489</b>
<b>Projected Total Property Tax</b>		<b>\$11,004</b>
<b>Projected Effective Tax Rate</b>		<b>2.00%</b>

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<b>PUBLIC SAFETY CFD</b>	<b>NA</b>	<b>\$580</b>
<b>PROPOSED CFD</b>	<b>NA</b>	<b>\$3,420</b>
<b>Total Assessments &amp; Special Taxes</b>		<b>\$4,489</b>
<b>Projected Total Property Tax</b>		<b>\$11,004</b>
<b>Projected Effective Tax Rate</b>		<b>2.00%</b>





## Fiscal Impact

### Public Safety CFD Tax Rate Comparison

#### Note:

(1) Escalates at lesser of CPI or 3% per year.

(2) Escalates at CPI annually.

(3) Escalates at 2% per year.

(4) Escalates at CPI with Min. 2% - Max. 6% per year.

(5) Escalates at greater of CPI or 4% per year.

(7) Escalates at greater of CPI or 5% per year.

(8) Escalates at greater of CPI or 5% per year, not to exceed 6%.

(9) Escalates at greater of CPI or 3.5% per year.

(10) Escalates at 2% per year, beginning FY 24-25.

(11) Escalates TBD.

Agency	District	SFR	MFR
Desert Hot Springs	PTAX 2 <sup>(1)</sup>	\$341.12	\$190.68
Palm Springs	CFD 2005-1 <sup>(2)</sup>	\$494.02	\$416.39
Perris	CFD 2001-3 <sup>(3)</sup>	\$378.92	\$75.78
Hemet	CFD 2005-1 <sup>(3)</sup>	\$247.07	
San Jacinto	CFD 2003-1 <sup>(4)</sup>	\$654.61	\$490.96
Lake Elsinore	CFD 2003-1 <sup>(3)</sup>	\$445.78	\$222.89
	CFD 2007-1 <sup>(3)</sup>	\$571.08	\$285.54
	CFD 2015-1 <sup>(5)</sup>	\$958.90	\$586.54
Wildomar	CFD 2013-1 <sup>(7)</sup>	\$396.69	\$281.26
	CFD 2022-1 <sup>(8)</sup>	\$451.50	\$320.25
Corona	CFD 2016-3 <sup>(7)</sup>	\$722.32	\$501.15
San Bernardino	CFD 2018-1 <sup>(10)</sup>	\$385.00	\$358.00
Murrieta	CFD 2024-X <sup>(11)</sup>	\$580.00	\$468.00



# Community Facilities District Goals and Policies

## Current Policy

- Total tax burden for property owners within the CFD is not to exceed 1.8% at the time of project completion, including all ad valorem, special taxes, and assessments.
- Maximum special taxes will not escalate.
- Bond proceeds will not be used to finance City Impact fees.
- CFD bonds will not be issued until at least 50% of parcels are considered developed (Certificate of Occupancy required) or the City will require a bank letter of credit to secure payment of taxes on undeveloped parcels.





# Community Facilities District Goals and Policies

## Proposed Updates

### Current Policy

- Total tax burden for property owners within the CFD is not to exceed 2.0% at the time of project completion, including all ad valorem, special taxes, and assessments.
- Maximum special taxes may escalate.
- Bond proceeds may be used to finance City Impact fees.
- Remove the requirement of 50% of development to be required at the issuance of the bonds; however, the city still has the discretion to issue at any time.



## Recommended Actions

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None. This is a receive-and-file Report.



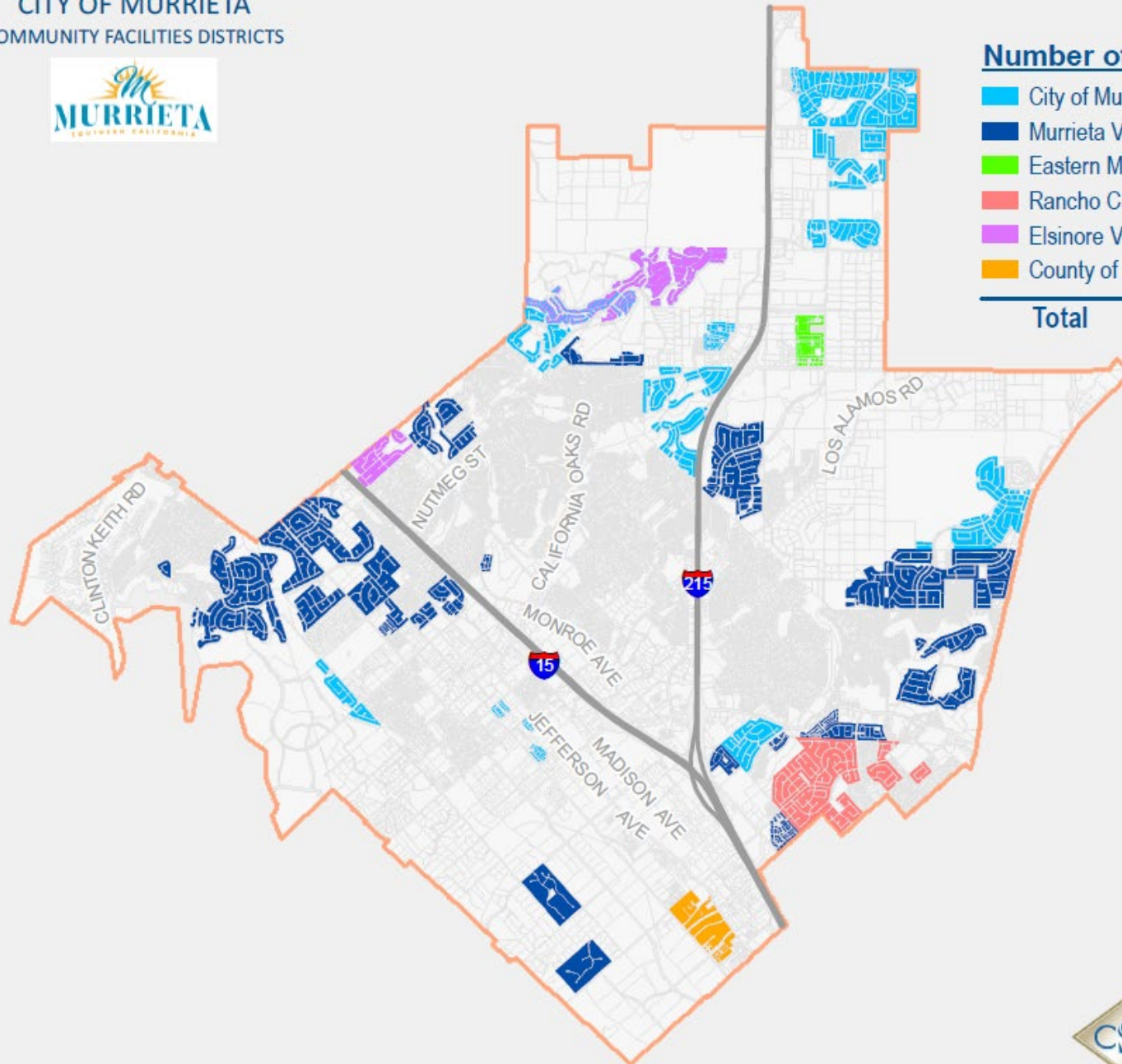


CITY OF MURRIETA  
COMMUNITY FACILITIES DISTRICTS



**Number of CFDs**

City of Murrieta	15
Murrieta Valley Unified School District	25
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