



# CITY COUNCIL STAFF REPORT



**July 16, 2024**

## **ITEM TITLE**

Community Facilities Districts: Approve the Levy of Special Taxes and Collectibles for Fiscal Year 2024-25

**Report Number:** 24-0119

**Location:** The Community Facilities Districts are located throughout the City, for specific District locations please see Attachment 1.

**Department:** Finance

**G.C. § 84308:** No

**Environmental Notice:** This activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3), no environmental review is required.

## **Recommended Action**

Adopt resolutions:

- A) Levying special taxes to be collected to pay the costs of facilities and services for Community Facilities Districts 97-1, 97-3, 98-1, 98-2, 98-3, 99-1, 99-2, 2000-1, 2001-1, 2001-2, 07-I, 08-I, 08-M, 09-M, 11-M, 12-I, 12-M, 13-I, 14-M, 14-M2, 16-I, 17-I, 18-M and 19-M within the City of Chula Vista and designating the Director of Finance to file a list of taxes to be levied on each parcel with the County auditor each year;
- B) Levying special taxes to be collected to pay the cost of facilities and services for Community Facilities Districts 06-I and 07-M within the City of Chula Vista and designating the Director of Finance to file a list of taxes to be levied on each parcel with the County auditor each year; and
- C) Levying special taxes to be collected to pay the cost of facilities and services for Community Facilities Districts 97-2 and 13-M within the City of Chula Vista and designating the Director of Finance to file a list of taxes to be levied on each parcel with the County auditor each year.

## **SUMMARY**

Twenty-eight (28) Community Facilities Districts (CFDs) were formed during fiscal years 1998-99 through 2023-24. Each year, a special tax must be levied in each of the districts to repay bondholders, or to fund the maintenance of open space preserve areas and other public facilities. This item authorizes the Director of Finance to oversee the annual levy of special taxes, at the same or at a lower rate authorized by the applicable ordinance for CFDs 97-1, 97-2, 97-3, 98-1, 98-2, 98-3, 99-1, 99-2, 2000-1, 2001-1, 2001-2, 06-I, 07-I, 07-M, 08-M, 08-I, 09-M, 11-M, 12-M, 12-I, 13-M, 13-I, 14-M, 14-M2, 16-I, 17-I, 18-M and 19-M for fiscal year 2024-25, and subsequent fiscal years in conformance with provisions of the California Government Code.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of reporting and creating a governmental fiscal/funding mechanism which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

In January 1998, City Council adopted the City of Chula Vista Statement of Goals and Policies Regarding the Establishment of Community Facilities Districts. This document allowed the use of CFDs as a public financing mechanism for:

- Acquisition and/or construction of public improvements and facilities;
- Financing of authorized public services; and
- To repay bonded indebtedness or other related expenses.

During fiscal years 1998-99 through 2023-24, twenty-eight (28) CFDs were formed in the Otay Ranch, Sunbow II, San Miguel Ranch, Eastlake, Rolling Hills Ranch, Millenia, Western Chula Vista, and Freeway Commercial areas as detailed in Attachment 1. Each CFD has one of two primary purposes:

- 1) Infrastructure CFD - fund the acquisition or construction of infrastructure, or
- 2) Maintenance CFD - fund ongoing maintenance services of public facilities.

Annually, special taxes are levied against each CFDs’ lists of taxable parcels. The special taxes for the Infrastructure CFDs fund the repayment of limited liability bonds. The repayment schedule for each series of bonds is set at the time of issuance via the CFD’s debt service schedule. The special taxes for the Maintenance CFDs pay for the maintenance efforts of open space areas and other public facilities, such as parks and medians. The Maintenance CFDs are included within the City’s annual Operating Budget.

Given that the Infrastructure CFDs debt service schedules are set at the time of bond issuance, and Maintenance CFDs are already included in the annual budget process, staff is recommending this item pursuant to the California Government Code, which provides City Council the option to authorize a City Official, in this case the Director of Finance, to file the lists of taxable parcels with the County Auditor-

Controller for fiscal year 2024-25, and subsequent fiscal years. The rates of the special taxes that will be levied on taxable parcels within each CFD will not exceed the rates of the special taxes that are authorized to be levied within each CFD by the applicable ordinance for each respective CFD. This modification will remove the current duplication of efforts within the budgeting process.

#### Maximum & Collectible Special Tax Rates

The City makes the distinction between the maximum special tax rate and the amount that the City may collect against the special tax rate (i.e., the collectible rate). Each year, the maximum special taxes are calculated via the product of the prior fiscal year's maximum special tax rates and an inflation factor as defined in each CFD's special tax formula.

The collectible, on the other hand, is the amount actually levied on each taxable parcel and is equal to, or less than, the maximum special tax rate. The collectible rate is based on the budget, the reserve requirement, fund balances, interest income, and prior years' savings.

With this change in process, the City will continue to calculate maximum special tax rates and collectible special tax rates, and only levy the collectible amount.

#### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council and has found that conflicts exist; in that members have real property holdings within 500 feet of the boundaries of the Community Facilities Districts listed below by City Council member. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702.2(a)(7), this item presents a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.) for the member identified below:

Mayor McCann: For CFD 06-I and CFD 07-M, which are the subject of Resolution B of this action.

Council Member Gonzalez: For CFD 13-M and CFD 97-2, which are the subject of Resolution C of this action.

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

Staff has reviewed the property holdings of the City Council and has found that Council Member Gonzalez has real property holdings within 1,000 feet, but beyond 500 feet, of the boundaries of CFD 12-M and CFD 13-I which are the subject of this action. However, to the extent that any decision would have a reasonably foreseeable financial effect on the member's real property, the effect would be nominal, inconsequential, or insignificant. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702(b), this item does not present a real property-related conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter

## **CURRENT-YEAR FISCAL IMPACT**

### Infrastructure CFDs

The fiscal year 2024-25 scheduled debt service and administration expenses for Infrastructure CFDs totals \$11,866,526.90. Projected special tax revenues will be sufficient to cover these amounts with no impact to the General Fund and are appropriated in the Fiscal Year 2024-25 Adopted Budget.

### Maintenance CFDs

The full cost of providing maintenance services and funding reserves in the Maintenance CFDs totals \$18,452,502.42 for fiscal year 2024-25. This entire amount is recovered through the CFDs' special tax levies and reserves, resulting in no net impact to the General Fund, and are appropriated in the Fiscal Year 2024-25 Adopted Budget.

## **ONGOING FISCAL IMPACT**

The ongoing costs of funding the scheduled debt service payments and providing maintenance services will be offset through the CFDs' special tax levies and reserves of each CFD. With staff continuing to carefully monitor expenses, adjust budgets annually as needed and sustaining sufficient reserves, the CFDs will continue to be able to repay bondholders and fund the required maintenance of the City's eligible public facilities.

## **ATTACHMENTS**

1. CFD's within the City of Chula Vista

*Staff Contact: Patricia Macias, Fiscal Debt Management Analyst  
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