

COUNTY OF IMPERIAL  
COMMUNITY FACILITIES DISTRICT  
No. 98-1

July 10, 2015

*Public Finance*  
*Public Private Partnerships*  
*Urban Economics*

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*Newport Beach*  
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Dallas

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**FISCAL YEAR 2015-2016  
ADMINISTRATION REPORT**

**COUNTY OF IMPERIAL  
COMMUNITY FACILITIES DISTRICT No. 98-1**

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**Prepared for**

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**July 10, 2015**

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### EXHIBITS

**Exhibit A:** Boundary Map

**Exhibit B:** Special Tax Roll Fiscal Year 2015-2016

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## INTRODUCTION

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This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 98-1 (“CFD No. 98-1”) of the County of Imperial (the “County”) resulting from the sale of the \$8,360,000 Series 1999 Special Tax Bonds (the “1999 Bonds”) in June, 1999.

CFD No. 98-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982 (the “Act”), as amended. The Act provides an alternative method for the financing of certain public capital facilities and services. Specifically, CFD No. 98-1 is authorized to issue up to \$40,000,000 in bonds. The proceeds of the 1999 Bonds are to be used to finance the acquisition and construction of certain water, sewer, drainage and road related facilities necessary to meet increased demands placed on the County of Imperial as a result of the development of CFD No. 98-1 and the undergrounding and relocation of a portion of the South Alamo Canal.

The bonded indebtedness of CFD No. 98-1 is both secured and repaid through the annual levy and collection of special taxes from all property subject to the tax within the community facilities district. In calculating the special tax liability for fiscal year 2015-2016, this report not only examines the financial obligations of the current fiscal year, but also analyzes the amount of new development, which has occurred within the boundaries of the community facilities district.

A map showing the property in CFD No. 98-1 is included in Exhibit B.

This report is organized into the following sections:

### **Section I**

Section I provides an update of the development activity occurring within CFD No. 98-1.

### **Section II**

Section II analyzes the previous fiscal year's special tax levy and includes a discussion of delinquent special taxes.

### **Section III**

Section III determines the financial obligations of CFD No. 98-1 for fiscal year 2015-2016.

### **Section IV**

Section IV reviews the methodology used to apportion the special tax requirement between Developed Property, Approved Property, Taxable Free Standing Parking Property, Taxable Public Property and Undeveloped Property. A table of the 2015-2016 special taxes for each classification of property is included.

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## I. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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### Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Rate and Method of Apportionment of the Special Tax. The Rate and Method of Apportionment defines five categories of property, namely “Developed Property,” “Approved Property”, “Taxable Free Standing Parking Property,” “Taxable Public Property” and “Undeveloped Property.” The category of Developed Property is in turn divided into three separate special tax classifications based on the zoning and type of structure built thereon. Developed Property special tax classifications are shown in Table 1 below.

**Table 1**  
**Community Facilities District No. 98-1**  
**Developed Property Classifications**

Special Tax Class	Description
Class 1	Commercial Property
Class 2	Industrial Property
Class 3	Residential Property

Developed Property is distinguished from Approved Property and Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued as of January 1 will be classified as Developed Property in the following fiscal year. For example, all property in CFD No. 98-1 for which building permits were issued prior to January 1, 2015, will be classified as Developed Property in fiscal year 2015-2016. Hence, the development research discussed below focuses on the twelve month period ending January 1, 2015.

Approved Property is defined as property, other than Developed Property, for which a final parcel map or final subdivision map has been recorded.

### Development Update

CFD No. 98-1 consists of a portion of the Gateway of the Americas Specific Plan Area, which is located on the Mexico/United States border, approximately six miles east of the City of Calexico.

CFD No. 98-1 includes 850.0 gross acres. At buildout, it is expected that CFD No. 98-1 will consist of approximately 146.6 net taxable acres of Commercial Property (which are anticipated to generate 1,468,756 square feet of commercial buildings) and approximately 586.4 net taxable acres of Industrial Property (which are anticipated to generate 7,663,075 square feet of industrial building area).

Background research was conducted to determine the amount and type of development activity that occurred within CFD No. 98-1 during the previous fiscal year. Review of the County of Imperial's

building permit records indicated that between January 1, 2014 and December 31, 2014, one new building permit for 39,462 building square feet of Industrial Property had been issued within CFD No. 98-1.

Table 2 below lists the aggregate amount of Developed Property by special tax classification and the amount of remaining Approved Property and Undeveloped Property.

**Table 2**  
**Community Facilities District No. 98-1**  
**Developed Property, Approved Property and Undeveloped Property**

Special Tax Class	Description	Number of Acres	Building Square Footage
Class 1	Commercial Property	10.95	47,722
Class 2	Industrial Property	71.61	832,564
Class 3	Residential Property	0.00	NA
NA	Approved Property	109.45	NA
NA	Undeveloped Property	615.49	NA
	<i>Total</i>	<i>807.50</i>	<i>880,286</i>

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## **II. FISCAL YEAR 2014-2015 SPECIAL TAX LEVY**

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The aggregate special tax levy for fiscal year 2014-2015 equaled \$680,613. As of June 18, 2015, according to the County Auditor, \$32,969 in special taxes have not been paid, resulting in a delinquency rate of 4.84 percent.

Pursuant to the Bond Indenture, CFD No. 98-1 has covenanted to determine no later than February 15 and August 15 of each year whether or not any owners of property within CFD No. 98-1 are delinquent in the payment of their special taxes. If such delinquencies exist CFD No. 98-1 is required to commence judicial foreclosure proceedings no later than October 1, provided that CFD No. 98-1 may defer foreclosure proceedings on any parcel if (a) the total special tax delinquency in CFD No. 98-1 for such fiscal year is less than 5% of total special tax levied in such fiscal year, and (b) if the amount in the Reserve Fund is equal to the initial reserve requirement plus the accumulated reserve requirement. Notwithstanding the above, if CFD No. 98-1 determines that (a) any single property owner is delinquent in excess of \$25,000 in the payment of the special tax, or (b) if any property owner, together with entities known to CFD No. 98-1 to be affiliates of such property owner, is responsible for the payment of 25% or more of the special taxes levied in a fiscal year and is delinquent in the payment of the special tax, then CFD No. 98-1 will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

At this time, CFD No. 98-1 is not required to commence foreclosure proceedings.

### III. FISCAL YEAR 2015-2016 SPECIAL TAX REQUIREMENT

Pursuant to the Rate and Method of Apportionment, the Special Tax may be levied in CFD No. 98-1 to pay for (i) debt service on all outstanding bonds, (ii) periodic costs on bonds, including but not limited to, credit enhancement and rebate payments on the bonds, (iii) Administrative Expenses, (iv) any amounts required to establish or replenish any reserve funds for all bonds, (v) pay directly for construction of facilities described in the resolution of formation required by Section 53325.1 of the Act, if any, and (vi) reasonably anticipated delinquent Special Taxes based on delinquency rate for Special Taxes levied in the previous Fiscal Year. For fiscal year 2015-2016, the Special Tax Requirement is equal to \$680,456 as shown below:

**Table 3**  
**Community Facilities District No. 98-1**  
**Fiscal Year 2015-2016 Special Tax Requirement**

FISCAL YEAR 2015-2016 USES OF FUNDS	
INTEREST DUE MARCH 1, 2016 [1]	(\$215,183)
INTEREST DUE SEPTEMBER 1, 2016 [1]	(\$215,183)
PRINCIPAL DUE SEPTEMBER 1, 2016 [1]	(\$250,000)
ADMINISTRATIVE EXPENSES [2]	(\$90)
<b>FISCAL YEAR 2015-2016 SPECIAL TAX REQUIREMENT:</b>	<b>(\$680,456)</b>

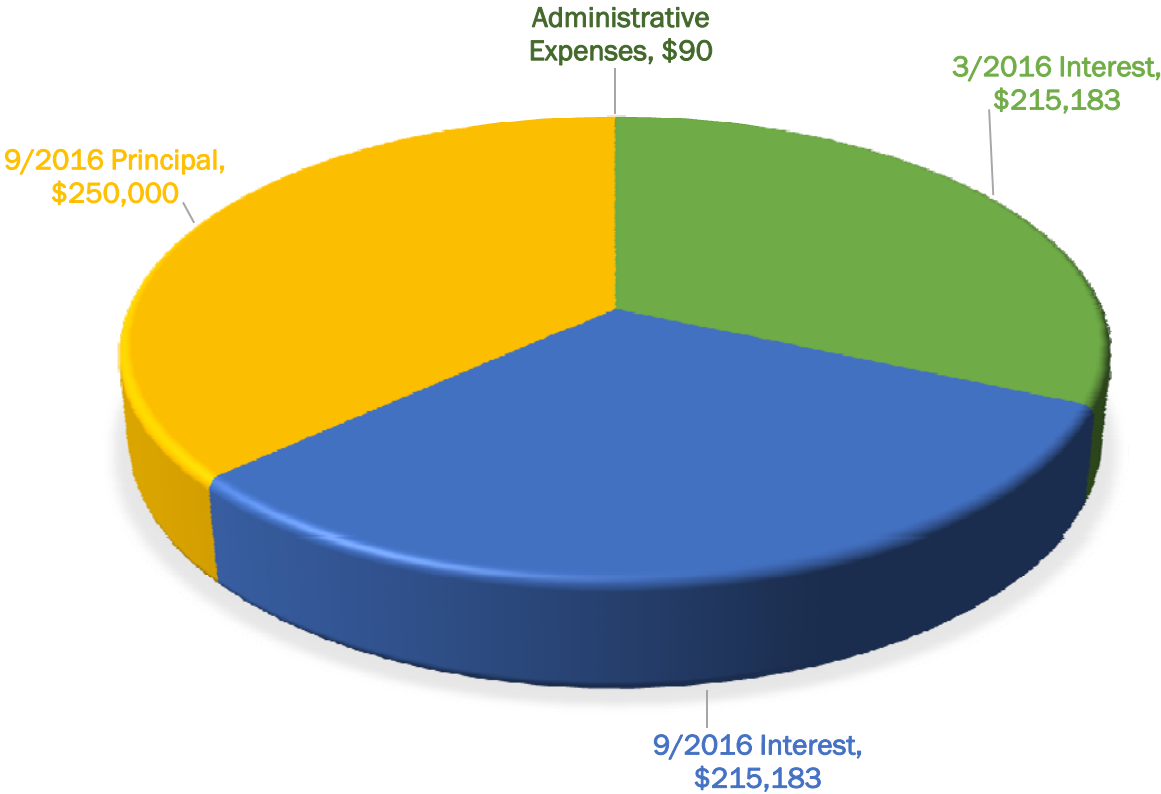
[1] Reflects revised debt service after \$100,000 in bonds called on September 1, 2011.

[2] Levy for collection charge only since the County has sufficient funds on hand in the Administrative Expense Account for other expenses.

The components of the fiscal year 2015-2016 special tax requirement are shown graphically on the following page.



Community Facilities District No. 98-1 of the  
County of Imperial  
Fiscal Year 2015-2016 Gross Special Tax Requirement



Total Fiscal Year 2015-2016 Gross Special Tax Requirement: \$680,456

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## IV. METHOD OF APPORTIONMENT

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### Maximum Special Taxes

The amount of special taxes that CFD No. 98-1 may levy is strictly limited by the maximum special taxes set forth in the Rate and Method of Apportionment. The initial maximum special taxes for each classification of Developed Property, or the "Assigned Special Taxes," are specified in Table 1 of Section C of the Rate and Method of Apportionment.<sup>1</sup>

The initial maximum special taxes for each classification of Developed Property, which escalate in each fiscal year, are set forth in Table 1 of Section C. The rate of escalation is two tiered and changes after the first fiscal year in which the parcel is classified as Developed Property. Specifically, the maximum special tax for a parcel of Developed Property is equal to the applicable initial special tax in Table 1 escalated at a rate equal to the annual percentage change in prices published by the U.S. Bureau of Labor Statistics for "All Urban Consumers" in the San Diego Area. Consequently, parcels assigned to the same classification may have different maximum special taxes depending on when each parcel was developed.

### Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section D of the Rate and Method of Apportionment. Section D apportions the special tax requirement in seven steps which prioritize the order in which Developed Property, Approved Property, Taxable Free Standing Parking Property, Taxable Public Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Developed Property at up to 100 percent of the assigned special tax. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against all parcels of Approved Property at up to 100 percent of the expected special tax per acre. If the special taxes raised pursuant to the second step are less than the special tax requirement, then the third step is applied. The third step states that the special tax shall be levied against all parcels of Undeveloped Property at up to 100 percent of the applicable expected special tax per acre.

The fourth through eighth steps are designed to accommodate changes in land use and are intended to be used only as a last resort. Since actual land uses have not substantially deviated from the original projections, these steps are not necessary.

Application of the maximum special taxes under the first step generates special tax revenues of \$413,939 from Developed Property, leaving \$266,516 to be levied against Approved Property. Application of the expected special taxes under the second step generates special tax revenues of \$525,513 from Approved Property, which is more than sufficient to meet all obligations for fiscal year 2015-2016 as discussed in Section III. The fiscal year 2015-2016 maximum and actual special taxes are shown for each classification of Developed Property, Approved Property and Undeveloped Property in Tables 4 and 5. The Special Tax Roll which lists the total special tax levy for each parcel is shown in Exhibit B.

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<sup>1</sup> Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Backup Special Tax" or (ii) the rate set forth for the applicable Developed Property classification in Table 1 of Section C. The Backup Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in development densities. Since the actual density of development is consistent with original projections, the contingency for which the Backup Special Tax was established does not exist and hence, all discussion of maximum tax rates focuses on the rates set forth for each classification of Developed Property in Section C of the Rate and Method of Apportionment.

**Table 4  
FY 2015-2016 Maximum Special Tax Rates**

Special Tax Class	Description	FY 2015-2016 Maximum Special Tax [9]							
		2000 Property[1]	2001 Property[2]	2004 Property[3]	2005 Property[4]	2006 Property[5]	2009 Property[6]	2011 Property[7]	2015 Property [8]
Class 1	Commercial Property (per building s.f.)	\$0.6480	\$0.6609	\$0.6930	\$0.7044	\$0.7271	\$0.7353	\$0.7353	\$0.7404
Class 2	Industrial Property (per building s.f.)	\$0.4322	\$0.4405	\$0.4619	\$0.4696	\$0.4646	\$0.4901	\$0.4901	\$0.4936
Class 3	Residential Property (per Acre)	\$7,007.10	\$7,144.50	\$7,489.72	\$7,612.85	\$7,858.08	\$7,947.25	\$7,947.25	\$8,002.47
NA	Approved Property Acre	NA	NA	NA	NA	NA	NA	NA	\$4,801.44
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA	NA	NA	\$4,801.44

**Table 5  
FY 2015-2016 Actual Special Tax Rates**

Special Tax Class	Description	FY 2015-2016 Maximum Special Tax [9]							
		2000 Property[1]	2001 Property[2]	2004 Property[3]	2005 Property[4]	2006 Property[5]	2009 Property[6]	2011 Property[7]	2015 Property [8]
Class 1	Commercial Property (per building s.f.)	\$0.0000	\$0.0000	\$0.6930	\$0.0000	\$0.0000	\$0.7353	\$0.0000	\$0.0000
Class 2	Industrial Property (per building s.f.)	\$0.4322	\$0.4405	\$0.4619	\$0.4696	\$0.4787	\$0.4901	\$0.4901	\$0.4936
Class 3	Residential Property (per Acre)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NA	Approved Property Acre	NA	NA	NA	NA	NA	NA	NA	\$2,435.08
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA	NA	NA	\$0.00

1. Developed Property for which a building permit was issued before 1/1/2000.
2. Developed Property for which a building permit was issued between 1/1/2000 and 12/31/2000.
3. Developed Property for which a building permit was issued between 1/1/2003 and 12/31/2003.
4. Developed Property for which a building permit was issued between 1/1/2004 and 12/31/2004.
5. Developed Property for which a building permit was issued between 1/1/2005 and 12/31/2005.
6. Developed Property for which a building permit was issued between 1/1/2008 and 12/31/2008.
7. Developed Property for which a building permit was issued between 1/1/2010 and 12/31/2010.
8. Developed Property for which a building permit was issued between 1/1/2014 and 12/31/2014. Also includes special tax per acre for all Approved Property and Undeveloped Property.
9. No Permits were issued between 1/1/2001 and 12/31/2002, between 1/1/2006 and 12/31/2007, between 1/1/2009 and 12/31/2009, between 1/1/2011 and 12/31/2013. Therefore tax rates are not shown for 2002, 2003, 2007, 2008, 2010, 2012, 2013, and 2014 property.

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**EXHIBIT A**

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*CFD No. 98-1 of the  
County of Imperial*

*Boundary Map*

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**County of Imperial  
Community Facilities District No. 98-1  
(Los Alamos International Center)**



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Av. República de Brasil

Google earth

**EXHIBIT B**

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*CFD No. 98-1 of the  
County of Imperial*

*Special Tax Roll  
Fiscal Year 2015-2016*

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## Exhibit B

**County of Imperial CFD No. 98-1  
FY 2015-2016 Special Tax Levy**

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<u>APN</u>	<u>TAX CLASS</u>	<u>FY 2015-2016 SPECIAL TAX</u>
059-381-001	A	\$5,162.36
059-381-002	A	\$2,629.88
059-381-003	A	\$3,043.84
059-382-001	A	\$2,556.82
059-382-002	A	\$2,995.14
059-383-001	A	\$5,405.88
059-383-002	A	\$3,287.36
059-383-003	A	\$3,774.36
059-384-001	04C	\$7,294.52
059-384-002	A	\$3,214.30
059-384-003	A	\$4,504.90
059-384-004	A	\$2,970.80
059-384-005	A	\$2,240.26
059-384-006	A	\$2,240.26
059-384-007	A	\$2,240.26
059-384-008	A	\$2,240.26
059-384-009	A	\$3,092.54
059-384-010	15I	\$19,478.44
059-385-007	A	\$4,699.70
059-385-008	05I	\$42,584.74
059-385-009	09C	\$27,350.22
059-386-001	A	\$3,214.30
059-386-002	A	\$3,238.66
059-391-007	A	\$3,336.06
059-391-008	A	\$13,198.12
059-391-009	A	\$4,480.54
059-392-001	A	\$3,238.66
059-392-002	A	\$3,238.66
059-393-001	A	\$3,116.90
059-393-002	A	\$3,141.24
059-393-003	A	\$3,141.24
059-393-004	A	\$3,092.54
059-394-001	A	\$7,719.20
059-394-007	00I	\$101,665.54
059-394-008	04I	\$42,356.68
059-394-009	04I	\$17,575.76
059-395-001	01I	\$23,471.60
059-395-003	04I	\$20,531.46
059-395-004	00I	\$43,220.00

## Exhibit B

**County of Imperial CFD No. 98-1  
FY 2015-2016 Special Tax Levy**

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<u>APN</u>	<u>TAX CLASS</u>	<u>FY 2015-2016 SPECIAL TAX</u>
059-396-001	A	\$4,407.48
059-396-002	A	\$3,652.62
059-401-001	06I	\$2,482.06
059-511-006	A	\$18,455.46
059-511-009	A	\$15,779.32
059-511-010	09I	\$61,164.48
059-511-011	A	\$16,948.16
059-512-001	11I	\$4,763.76
059-512-002	A	\$9,521.16
059-513-004	A	\$14,853.98
059-513-005	A	\$8,790.64
059-513-006	A	\$7,792.26
059-513-007	A	\$7,305.24
059-513-008	A	\$6,404.26
059-513-010	A	\$5,113.66
059-513-015	A	\$37,037.56
<b>Total Number of Parcels Taxed</b>		<b>55</b>
<b>Total FY 2015-2016 Special Tax</b>		<b>\$680,456.10</b>