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FISCAL YEAR 2022-2023 ADMINISTRATION REPORT

COUNTY OF IMPERIAL

COMMUNITY FACILITIES DISTRICT NO. 02-1

July 12, 2022

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COUNTY OF IMPERIAL



FISCAL YEAR 2022-2023 ADMINISTRATION REPORT

Community Facilities District No. 02-1

Prepared for:

County of Imperial

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INTRODUCTION

This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 02-01 ("CFD No. 02-01") of the County of Imperial (the "County") resulting from the sale of the \$2,486,600 Series 2002 Special Tax Bonds (the "2002 Bonds") in August 2002.

CFD No. 02-01 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. 02-01 is authorized to issue up to \$2,500,000 in bonds and has sold \$2,486,600 in bonds for purposes of financing 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. 02-01 and the undergrounding and relocation of a portion of the South Alamo Canal.

CFD No. 02-01 is comprised of two zones: Zone 1 (Rice Property) and Zone 2 (Menvielle Property). All descriptions and explanations in this report refer to the entire CFD No. 02-01 unless otherwise indicated.

The current outstanding principal is equal to \$145,675 which is all allocated to property in Zone 1 and is based on the bond call discussed in Section I and principal paid through September 2, 2021. The Bonds are scheduled to be paid off in year 2041. Pursuant to the Rate and Method of Apportionment ("RMA"), the special tax shall be levied for a period not to exceed fifty years commencing with fiscal year 2002-2003. The RMA is included in Appendix C.

The bonded indebtedness of CFD No. 02-01 is both secured and repaid through the annual levy and collection of special taxes from Zones 1 and 2 subject to the tax within the community facilities district. In calculating the special tax liability for fiscal year 2022-2023, 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. 02-01 is included in Appendix A.

This report is organized into the following sections:

- **Section I:** Section I provides background regarding the payment from Imperial Irrigation District ("IID") received by the County and the subsequent bond call.
- **Section II:** Section II provides an update of the development activity occurring within CFD No. 02-01. All new building permit activity is identified, including cumulative figures for "Developed Property."
- **Section III:** Section III is provided to comply with Government Code Section 53411.

- **Section IV:** Section IV analyzes the previous fiscal year's special tax levy and includes a discussion of delinquent special taxes.
- **Section V:** Section V determines the financial obligations of CFD No. 02-01 for fiscal year 2022-2023.
- **Section VI:** Section VI reviews the methodology used to apportion the special tax requirement to Developed Property and Undeveloped Property.

I IID PAYMENT AND BOND CALL

In 2014, as expected, the County received a payment in the amount of \$1,768,915 from the IID pursuant to the Joint Community Facilities Agreement (the "Agreement"). Based on the Agreement, \$1,615,104 in bonds were called on July 1, 2014. Of this amount, \$794,800 was used to call bonds for Zone 1 and \$820,304 was used to call bonds for Zone 2, resulting in an outstanding principal amount of \$173,675 for Zone 1 and \$0 for Zone 2. Since there is no principal outstanding for Zone 2, property in Zone 2 will no longer pay a special tax beginning in fiscal year 2014-2015. Please refer to Appendix B for a revised debt service schedule following the bond call.

II SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

A 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 four categories of property for Zone 1, namely “Developed Property,” “Taxable Public Property,” “Taxable Property Owner Association Property,” and “Undeveloped Property.”

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued after January 1, 2000, and prior to January 1 of the prior fiscal year will be classified as Developed Property in the following fiscal year. For example, all property in Zone 1 of CFD No. 02-01 for which building permits were issued prior to January 1, 2022, will be classified as Developed Property in fiscal year 2022-2023. Hence, the development research discussed below focuses on the 12-month period ending December 31, 2021.

B Development Update

Background research was conducted to determine the amount and type of development activity that occurred during the previous fiscal year. Review of the County of Imperial’s building permit records indicated that no new building permits had been issued from January 1, 2021, to December 31, 2021, for taxable property within Zone 1 of CFD No. 02-01. A total of 122.78 acres in Zone 1 remain undeveloped.

Table 1 below lists the aggregate amount of Developed Property in Zone 1.

Table 1: Cumulative Developed Property

Zone	Designation	Number of Acres
1	Developed Property	14.30

III SB 165 REPORT

Government Code Section 53411 requires that on or after January 1, 2001, any local bond measure that is subject to voter approval that would provide for the sale of bonds by a local agency provide accountability measures that include the issuance of an annual report from the chief fiscal officer to the governing body of the local agency. This report should include a description of the purpose of the bond, the amount of funds collected and expended as well as the status of the authorized project. Therefore, the sections below cover the foregoing requirements for CFD No. 02-01 from May 31, 2021, through May 31, 2022.

A Purpose of the Bond

CFD No. 02-01 has sold \$2,486,600 in bonds in order to finance the acquisition and construction of certain water, sewer, drainage and road related facilities, and the undergrounding and relocation of a portion of the South Alamo Canal.

B Sources and Uses of Funds

Table 2: Fiscal Year 2021-2022 Sources and Uses of Funds

Fund/Subaccount	Beginning Balance As of 5/31/21	Funds Received (6/1/21 through 5/31/22)	Funds Expended (6/1/21 through 5/31/22)	Ending Balance As of 5/31/22 ^[1]
Improvement Fund				
Costs of Issuance Account	\$0	\$0	\$0	\$0
Special Tax Fund				
Administrative Expense Account	\$9,900	\$5,282	\$5,896	\$9,286
Redemption Account	\$56,154	\$14,928	\$11,977	\$59,105
Prepayment Fund	\$46	\$0	\$0	\$47
Other Funds				
Special Reserve Fund	\$12,740	\$88	\$0	\$12,828
Investment Earnings Fund	\$0	\$0	\$0	\$0
Rebate Fund	\$0	\$0	\$0	\$0

Note:

- Totals may not sum due to rounding.

C Status of Authorized Projects

As of July 1, 2007, all construction intended to be financed through the Series 2002 bonds was essentially complete and all invoices relating to such construction have been paid.

IV FISCAL YEAR 2021-2022 SPECIAL TAX LEVIES

The aggregate special tax levy for fiscal year 2021-2022 equaled \$16,677 for Zone 1. As of July 7, 2022, according to the County Tax Collector, \$941 in Fiscal Year 2021-2022 special taxes have not been paid, resulting in a delinquency rate of 5.64% for Zone 1. In addition, there were two (2) parcels that remain delinquent in their Fiscal Year 2017-2018 and 2018-2019 special taxes in the amount of \$1,195 and \$2,351, respectively, one (1) parcel that remains delinquent in their Fiscal Year 2019-2020 special taxes in the amount of \$376, and two (2) parcels that remain delinquent in their Fiscal Year 2020-2021 special taxes in the amount of \$380. Despite the delinquencies, the County has concluded that CFD No. 02-01 will be able to meet its remaining debt service obligations for Fiscal Year 2021-2022.

No special tax was levied in Zone 2 in fiscal year 2021-2022.

Pursuant to the Resolution Authorizing Issuance of Bonds, CFD No. 02-01 has covenanted to commence judicial foreclosure proceedings no later than October 1 on any delinquent parcel, provided that CFD No. 02-01 may defer foreclosure proceedings on any parcel if (a) the total special tax delinquency in CFD No. 02-01 for such fiscal year is less than 5% of total special tax levied in such fiscal year, and (b) if the amount in the Special Reserve Fund is equal to the reserve requirement.

It is our understanding that the County, on behalf of CFD No. 02-01, initiated foreclosure proceedings against two (2) parcels in CFD No. 02-01 in fiscal year 2019-2020 as required pursuant to the foreclosure covenant. CFD No. 02-01 may be required to commence foreclosure proceedings against two (2) additional parcels based on the current level of delinquencies if special taxes are not paid.

V FISCAL YEAR 2022-2023 SPECIAL TAX REQUIREMENT

For fiscal year 2022-2023, the special tax requirement is equal to \$20,027 and is calculated as follows:

Table 3: Fiscal Year 2022-2023 Special Tax Requirement

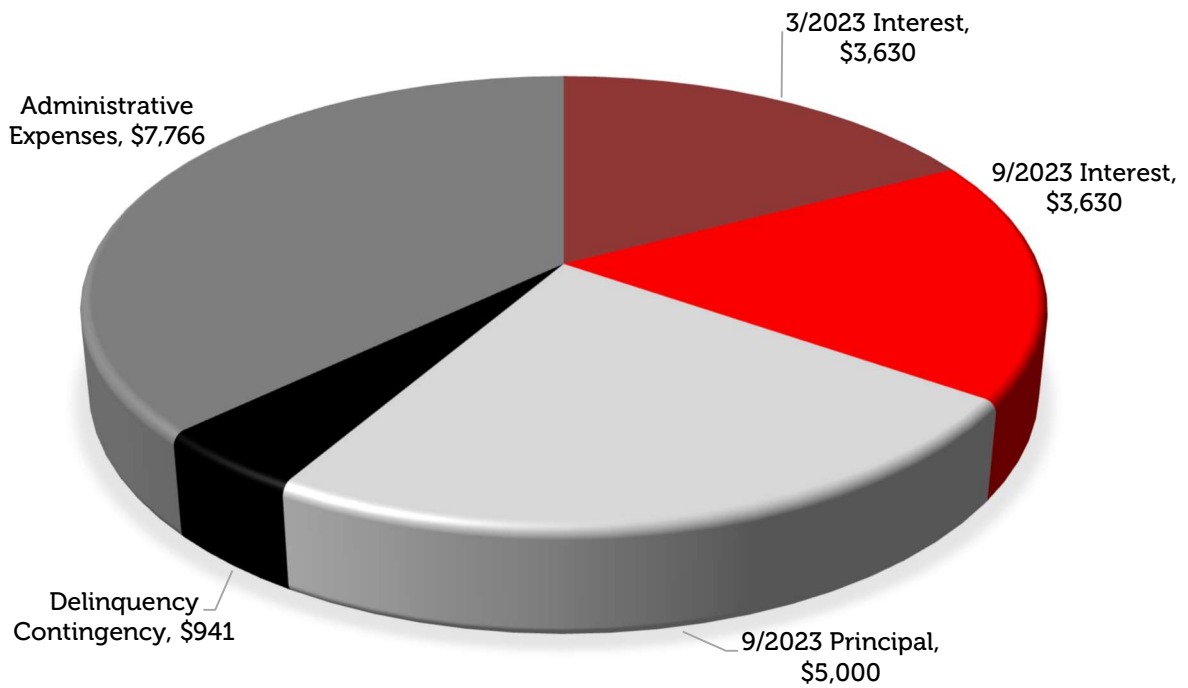
Zone 1 (Rice Property) FY 2022-2023 Obligations	
Interest Due March 1, 2023 ¹	\$3,630
Interest Due September 1, 2023 ¹	\$3,630
Principal Due September 1, 2023 ¹	\$5,000
Reserve Fund Levy ²	\$0
Delinquency Contingency ³	\$941
Administrative Expenses ⁴	\$7,766
Prior Years Surplus Applied as a Credit to FY 2022-2023 Levy ³	(\$941)
Total Special Tax Requirement	\$20,027

Notes:

1. Reflects debt service following bond call on July 1, 2014.
2. Levy to fund Reserve Fund is not necessary since fund balance is at or greater than the average annual debt service.
3. Based on actual fiscal year 2020-2021 delinquent amount as of June 20, 2022.
4. Includes levy for Administrative Expenses and FY 2022-2023 collection charges.

The components of the fiscal year 2022-2023 gross special tax requirement are shown graphically on the following page.

Figure 1: Fiscal Year 2022-2023 Gross Special Tax Requirement



Total Fiscal Year 2022-2023 Gross Special Tax Requirement: \$20,967

VI METHOD OF APPORTIONMENT

A Maximum Special Tax Rates

The amount of special taxes that CFD No. 02-01 may levy is strictly limited by the maximum special taxes set forth in the Rate and Method of Apportionment. The initial assigned special taxes for each classification of Developed Property for Zone 1 are specified in Section C of the Rate and Method of Apportionment.

B 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 four steps which prioritize the order in which Developed Property, Taxable Public Property, Taxable Property Owner Association Property, and Undeveloped Property are taxed.

The first step states that the special tax shall be levied proportionately on each Assessor's Parcel of Developed Property within Zone 1 at up to 100% of the applicable Assigned Special Tax as needed to satisfy the special tax requirement for such Zone. If the special taxes raised pursuant to the first step are less than the special tax requirement for such Zone, then the second step is applied. The second step states that the special tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within such Zone at up to 100% of the Maximum Special Tax for Undeveloped Property.

The third and fourth 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.

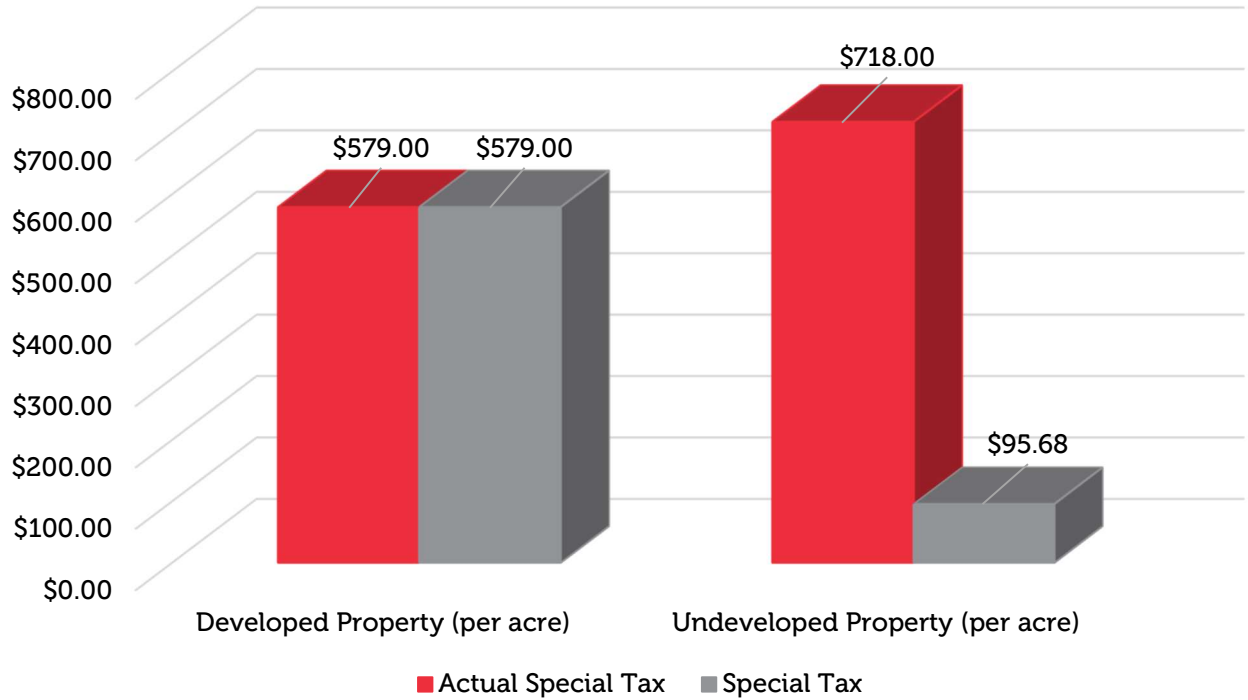
Application of the maximum special taxes under the first step generates special tax revenues of \$8,280 from Developed Property in Zone 1, leaving \$11,747 to be levied against Undeveloped Property. Dividing this amount by the 122.78 acres of Undeveloped Property in Zone 1 results in a special tax of \$95.68 per acre.

The fiscal year 2022-2023 maximum and actual special taxes for Zone 1 are shown for Developed Property and Undeveloped Property in the following table. The Special Tax Roll which lists the total special tax levy for each parcel is shown in Appendix D.

Table 4: Fiscal Year 2022-2023 Special Taxes, Zone 1 (Rice Property)

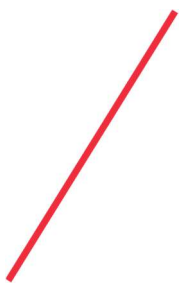
Description	Maximum Special Tax	FY 2022-2023 Special Tax Levy
Developed Property	\$579.00 per acre	\$579.00 per acre
Undeveloped Property	\$718.00 per acre	\$95.68 per acre

Figure 2: Fiscal Year 2022-2023 Special Tax Levy, Zone 1 (Rice Property)



APPENDIX A

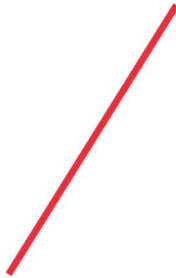
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BOUNDARY MAP

APPENDIX B

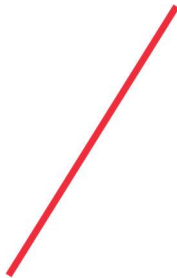
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DEBT SERVICE SCHEDULE

APPENDIX C

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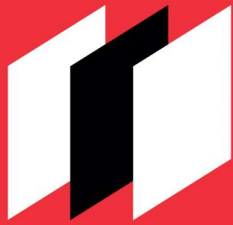
RATE AND METHOD OF APPORTIONMENT

APPENDIX D

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**SPECIAL TAX ROLL,
FISCAL YEAR 2022-2023**



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