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FISCAL YEAR 2022-2023 ADMINISTRATION REPORT

COUNTY OF IMPERIAL

COMMUNITY FACILITIES DISTRICT NO. 98-1

July 12, 2022

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COUNTY OF IMPERIAL



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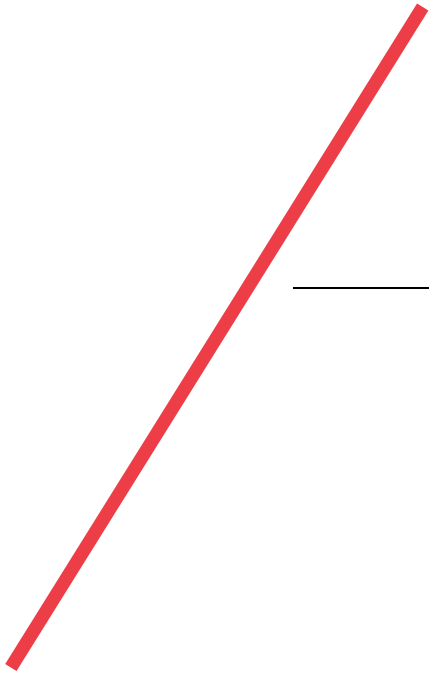
Community Facilities District No. 98-1

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. 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. Additional bonds are authorized to be issued as development progresses within CFD No. 98-1. The current outstanding principal is equal to \$4,860,000 which is based on principal paid through September 2, 2021. The Bonds are scheduled to be paid off in year 2031. Pursuant to the Rate and Method of Apportionment (“RMA”), the special tax shall be levied for a period not to exceed 50 years. The RMA is included in Appendix B.

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 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. 98-1 is included in Appendix A.

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 2022-2023; and
- **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 2022-2023 special taxes for each classification of property is included.

I 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 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: CFD 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, 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 January 1, 2022.

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

B 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, 2021, and December 31, 2021, no new building permits 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: 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	104.30	1,272,376
Class 3	Residential Property	0.00	N/A
N/A	Approved Property	75.93	N/A
N/A	Undeveloped Property	615.49	N/A
Total		806.67	1,320,098

II FISCAL YEAR 2021-2022 SPECIAL TAX LEVY

The aggregate special tax levy for fiscal year 2021-2022 equaled \$687,845. As of July 7, 2022, according to the County Tax Collector, all \$687,845 in special taxes have been collected by the County.

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 2022-2023 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 2022-2023, the Special Tax Requirement is equal to \$687,839 as shown below.

Table 3: Fiscal Year 2022-2023 Special Tax Requirement

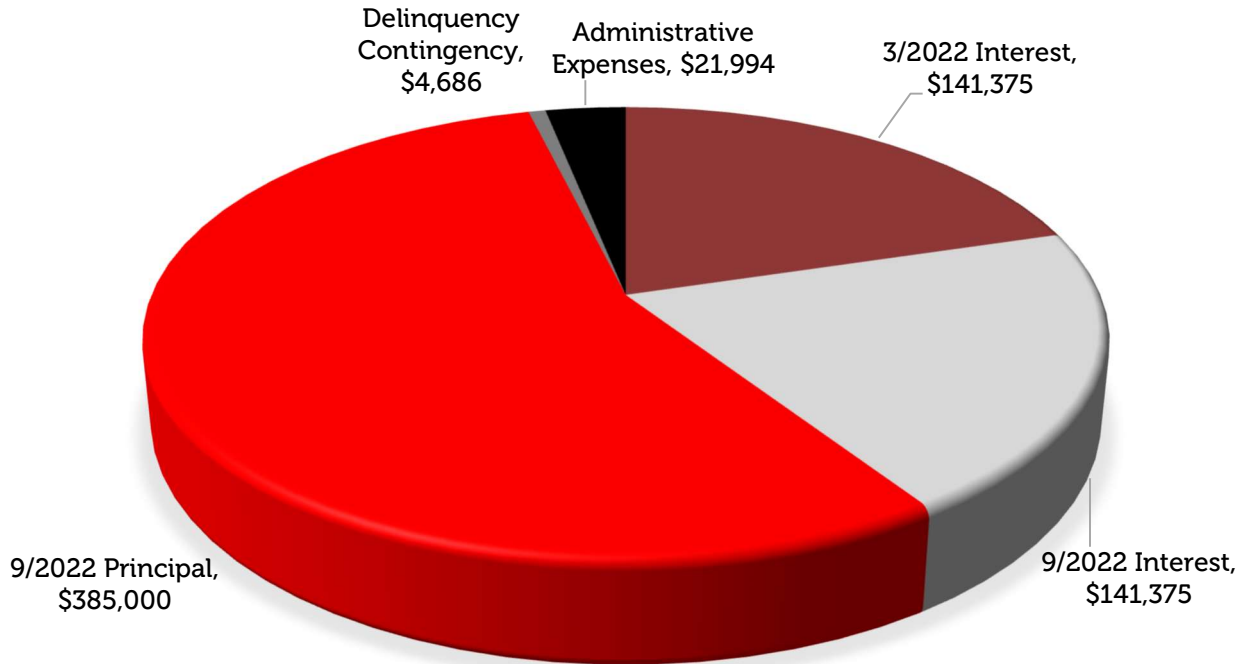
Fiscal Year 2022-2023 Obligations	
Interest Due March 1, 2023 ¹	\$141,375
Interest Due September 1, 2023 ¹	\$141,375
Principal Due September 1, 2023 ¹	\$385,000
Administrative Expenses ²	\$21,994
Delinquency Contingency ³	\$4,686
Fiscal Year 2022-2023 Special Tax Requirement	\$694,430

Notes:

1. Reflects revised debt service after \$100,000 in bonds called on September 1, 2011 and \$150,000 expected to be called on September 1, 2021.
2. Includes levy for Administrative Expenses and FY 2022-2023 collection charges.
3. Based on current level of delinquency as of June 21, 2022.

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

Figure 1: Fiscal Year 2022-2023 Special Tax Requirement



Total Fiscal Year 2022-2023 Special Tax Requirement: \$694,430

IV METHOD OF APPORTIONMENT

A 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.¹

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 age 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. As of January 1, 2022, the annual percentage change was 6.35%. Therefore, an increase of 6.35% is applied to property first classified as Developed Property for fiscal year 2022-2023. The assigned and maximum special taxes for all other tax classes escalate by 2.00%.

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 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% 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% 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% of the applicable expected special tax per acre.

¹ 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.

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 \$729,250 from Developed Property, which is greater than the total fiscal year 2022-2023 Special Tax Requirement. To raise revenues sufficient to meet the fiscal year 2022-2023 Special Tax Requirement, special taxes will be levied at approximately 95.23 percent of the Assigned/Maximum Special Taxes on Developed Property. There will be no special taxes levied on Approved Property or Undeveloped Property. The fiscal year 2022-2023 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 Appendix C.

Table 4: FY 2022-2023 Maximum Special Tax Rates

Special Tax Class	Description	FY 2022-2023 Maximum Special Tax ^[11]				
		2000 Property ^[1]	2001 Property ^[2]	2004 Property ^[3]	2005 Property ^[4]	2006 Property ^[5]
Class 1	Commercial Property (per Building SF)	\$0.7444	\$0.7592	\$0.7960	\$0.8094	\$0.8250
Class 2	Industrial Property (per Building SF)	\$0.4964	\$0.5060	\$0.5305	\$0.5396	\$0.5501
Class 3	Residential Property (per Acre)	\$8,048.95	\$8,206.79	\$8,603.33	\$8,744.77	\$8,916.23
N/A	Approved Property Acre	N/A	N/A	N/A	N/A	N/A
N/A	Undeveloped Property Acre	N/A	N/A	N/A	N/A	N/A

Special Tax Class	Description	FY 2022-2023 Maximum Special Tax ^[11]				
		2009 & 2011 Property ^[6]	2015 Property ^[7]	2016 & 2017 Property ^[8]	2019 & 2021 Property ^[9]	2022 Property ^[9]
Class 1	Commercial Property (per Building SF)	\$0.8446	\$0.8504	\$0.8543	\$0.8750	\$0.9123
Class 2	Industrial Property (per Building SF)	\$0.5629	\$0.5671	\$0.5694	\$0.5833	\$0.6082
Class 3	Residential Property (per Acre)	\$9,128.89	\$9,192.32	\$9,232.66	\$9,456.94	\$9,860.20
N/A	Approved Property Acre	N/A	N/A	N/A	N/A	\$5,515.34
N/A	Undeveloped Property Acre	N/A	N/A	N/A	N/A	\$5,515.34

Table 5: FY 2022-2023 Actual Special Tax Rates

Special Tax Class	Description	FY 2022-2023 Maximum Special Tax ^[11]				
		2000 Property ^[1]	2001 Property ^[2]	2004 Property ^[3]	2005 Property ^[4]	2006 Property ^[5]
Class 1	Commercial Property (per Building SF)	\$0.0000	\$0.0000	\$0.7580	\$0.0000	\$0.0000
Class 2	Industrial Property (per Building SF)	\$0.4727	\$0.4818	\$0.5052	\$0.5138	\$0.5238
Class 3	Residential Property (per Acre)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
N/A	Approved Property Acre	N/A	N/A	N/A	N/A	N/A
N/A	Undeveloped Property Acre	N/A	N/A	N/A	N/A	N/A

Special Tax Class	Description	FY 2022-2023 Maximum Special Tax ^[11]				
		2009 & 2011 Property ^[6]	2015 Property ^[7]	2016 & 2017 Property ^[8]	2019 & 2021 Property ^[9]	2022 Property ^[10]
Class 1	Commercial Property (per Building SF)	\$0.8043	\$0.0000	\$0.0000	\$0.0000	\$0.0000
Class 2	Industrial Property (per Building SF)	\$0.5360	\$0.5400	\$0.5422	\$0.5554	\$0.0000
Class 3	Residential Property (per Acre)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
N/A	Approved Property Acre	N/A	N/A	N/A	\$0.00	\$0.00
N/A	Undeveloped Property Acre	N/A	N/A	N/A	\$0.00	\$0.00

Notes:

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 or between 1/1/2010 and 12/31/2010.
7. Developed Property for which a building permit was issued between 1/1/2014 and 12/31/2014.



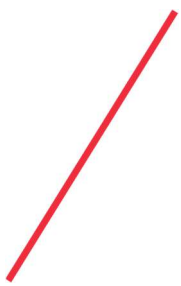
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SECTION IV METHOD OF APPORTIONMENT

8. Developed Property for which a building permit was issued between 1/1/2015 and 12/31/2015 or between 1/1/2016 and 12/31/2016.
9. Developed Property for which a building permit was issued between 1/1/2018 and 12/31/2018 or 1/1/2020 and 12/31/2020.
10. Developed Property for which a building permit was issued between 1/1/2021 and 12/31/2021. Also includes special tax per acre for all Approved Property and Undeveloped Property.
11. No Permits were issued between 1/1/2001 and 12/31/2002, 1/1/2006 and 12/31/2007, 1/1/2009 and 12/31/2009, 1/1/2011 and 12/31/2013, 1/1/2017 and 12/31/2017, and 1/1/2019 and 12/31/2019. Therefore, tax rates are not shown for 2002, 2003, 2007, 2008, 2010, 2012, 2013, 2014, 2018, and 2020 property.

APPENDIX A

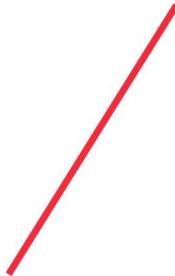
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BOUNDARY MAP

APPENDIX B

County of Imperial
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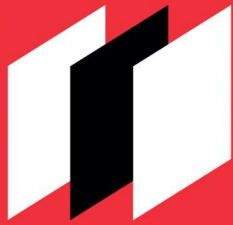
RATE AND METHOD OF APPORTIONMENT

APPENDIX C

County of Imperial
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**SPECIAL TAX ROLL,
FISCAL YEAR 2022-2023**



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