



STAFF REPORT

August 9, 2023
File Number 0685-10

SUBJECT

SETTING SPECIAL TAX LEVY FOR COMMUNITY FACILITIES DISTRICT NO. 2020-1 (Public Services)

DEPARTMENT

Development Services

RECOMMENDATION

Request the City Council adopt Resolution 2023-82, setting the Special Tax Levy for Community Facilities District No. 2020-1 (“Public Services CFD”) for Fiscal Year 2023/24

Staff Recommendation: Approval (Development Services: Andrew Firestine, Director)

Presenter: Andrew Firestine, Director of Development Services

FISCAL ANALYSIS

A special tax is levied annually on real property within the Community Facilities District No. 2020-1 and is collected through the County of San Diego Treasurer-Tax Collector’s Office. The proceeds from the special tax are used to provide public services including public safety, maintenance, administration, community development and services provided by the City of Escondido (“City”).

PREVIOUS ACTION

On May 13, 2020, the City Council adopted Resolution No. 2020-44 approving the establishment of Community Facilities District No. 2020-1 and authorizing the Council to adopt annually a resolution setting the Special Tax Levy.

On Jul 21, 2021, the City Council adopted Resolution No. 2021-77, setting the Special Tax Levy for Community Facilities District No. 2020-1 for FY2021/22 on 216 developed lots located in The Villages Project.

On Jul 20, 2022, the City Council adopted Resolution No. 2022-87, setting the Special Tax Levy for Community Facilities District No. 2020-1 for FY2022/23 on 437 developed lots located within the district.

BACKGROUND

On November 16, 2022, the City Council provided direction to staff to conduct further review and to explore options to adjust the special tax rate for the Public Services CFD. Particular interest was expressed



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in making modifications to the annual special tax rate to calibrate it to a more specific set of services, such as public safety, and to work within the existing Public Services CFD Rate and Method of Apportionment of Special Tax ("RMA") to reduce the rate to be more competitive with surrounding cities.

Staff has initiated a new fiscal impact analysis through NBS based on this direction with the intention of evaluating the fiscal impact by development type for the existing land use categories in the Public Services CFD.

A draft of this study has been received by City staff. Additional time is needed to review its findings, engage with stakeholders, and formulate recommendations for City Council. To achieve this, staff is recommending that City Council take action on August 9 to set the annual special tax rate for Fiscal Year 2023/24 at the same rate as the previous year to meet the August 10 deadline to submit assessment information to the County. This is a firm deadline, although the City may request the County Assessor/Auditor to reduce or cancel an assessment after the August 10 date. The County will not process any rate increases, only reductions.

Setting the annual special tax rate at the same rate as the previous year would maintain the current special tax rate while allowing staff to present the new fiscal impact analysis to City Council no later than October 2023 following additional staff review and stakeholder outreach. In October, the Council may direct reductions to the Public Services CFD special tax rate for the upcoming year. The County assesses a \$15 per parcel correction fee. There are 556 lots that have annexed into the Public Services CFD, the total cost to the City to adjust the assessment would be \$8,340.

Previously, the City contracted with Keyser Marston Associates, Inc. ("KMA") on January 15, 2020, to complete a fiscal impact analysis for new residential development. KMA reviewed the City's FY2019/20 budget to determine the per capita cost of providing municipal services for new residential development. The fiscal impact analysis determined that the per capita cost of providing municipal services for new residential development exceeds the anticipated revenue received.

On May 13, 2020, CFD No. 2020-1 was formed and established a citywide Public Services CFD with the goal of making new development revenue neutral. The Public Services CFD provides a streamlined way for projects to offset their impact to ongoing public services through a special tax levied on the annual property tax bill. Voluntary annexation of a development to the Public Services CFD occurs by resolution of the City Council.

The special tax rates are governed by the Rate and Method of Apportionment of Special Tax ("RMA") established at the time CFD No. 2020-1 was formed. The special tax rates were calculated at the time of formation based on the cost of providing public services, less revenue generated by the development for various classifications of residential property. The special tax rates for the Public Services CFD escalates at the maximum rate of inflation as determined by the Consumer Price Index and at the minimum rate of 2% per year. The applicable increase for the current year is the change in CPI of 7.7101%, although the proposed rate (the authorized levy for the current fiscal year) may be set at any rate up to this Maximum



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Special Tax rate. Exhibit “A” to Resolution No. 2023-82 updates the Maximum Special Tax based on CPI, as directed by the escalation provisions within the RMA, whereas the Proposed Actual Special Tax is what is authorized and is equal to the rate for Fiscal Year 2022/23.

The City Council is required to set the special tax rate for all properties within the Public Services CFD that have received a building permit as of March 1 of that year. There are 556 developed lots located within CFD No 2020-1 that had building permits issued before March 1, 2023, that will be assessed the authorized special tax rate in FY2023/24.

RESOLUTIONS

- A. Resolution No. 2023-82
- B. Resolution No. 2023-82 Exhibit “A” Special Tax Rates for FY2023/24