



# STAFF REPORT

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July 20, 2022  
File Number 0685-10

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## SUBJECT

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

## DEPARTMENT

Finance

## RECOMMENDATION

Request the City Council adopt Resolution 2022-87, setting the Special Tax Levy for Community Facilities District No. 2020-1 ("Public Services CFD") for Fiscal Year 2022/23

Staff Recommendation: Approval (Finance: Christina Holmes, Director of Finance)

Presenter: Christina Holmes, Director of Finance

## 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.

## BACKGROUND

As a part of the City's ongoing efforts to address projected budget shortfalls, the City contracted with Keyser Marston Associates, Inc. ("KMA") on January 15, 2020, to complete a Fiscal Impact Analysis ("FIA") 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 involving Police, Fire, Public Works, Community Services, and General Services (support departments).



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The FIA determined that the per capita cost of providing municipal services for new residential development exceeds the anticipated revenue received, including property taxes, property tax in lieu of Vehicle License Fees ("VLF"), intergovernmental, property transfer tax, fines, forfeitures, permits, licenses, and sales tax generated by new residents. Based on these findings, the current structural budget deficit is anticipated to increase with each new residential development project.

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, or Land Use Category. The projected annual costs of Public Services provided to CFD No. 2020-1 were between \$536 and \$783 per residential dwelling unit in 2020 dollars. 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 5.20807%.

The City's cost of providing municipal services, including Police, Fire, Public Works, Community Services, and General Services, has increased since the special tax rates were calculated in FY2019/20. The FY2022/23 General Fund Operating Budget increased by 7% compared to the prior fiscal year. Although projected Operating Revenue increased by 8%, the General Fund Operating Budget does not account for the unfunded annual maintenance costs exceeding approximately \$8.0 million for CityWide parks, streets, building, and fleet maintenance/replacement. As a result of the increasing costs of providing municipal services, the proposed special tax rates listed in Exhibit "A" to Resolution No. 2022-87 support the change in CPI of 5.20807% from the prior fiscal year.

Prior to July 30 of each year, the special tax levy will be set by the City Council for all properties within the Public Services CFD that have received a building permit as of March 1 of that year. There are 437 developed lots located within CFD No 2020-1 that had building permits issued before March 1, 2022, that will be assessed the Special Tax Levy in FY2022/23.

The services to be funded through the Public Services CFD include public safety, maintenance, and administrative expenses for services provided by the City.



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### RESOLUTIONS

- A. Resolution No. 2022-87
- B. Resolution No. 2022-87 Exhibit "A" Special Tax Rates for FY2022/23