



# Folsom City Council Staff Report

<b>MEETING DATE:</b>	6/9/2020
<b>AGENDA SECTION:</b>	Consent Calendar
<b>SUBJECT:</b>	Ordinance No. 1305 – An Uncodified Ordinance Levying Special Taxes for the Fiscal Year 2020-21 and Following Fiscal Years Solely within and Relating to the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (Second Reading and Adoption)
<b>FROM:</b>	Finance Department

**RECOMMENDATION / CITY COUNCIL ACTION**

It is recommended that the City Council conduct the second reading and move to adopt the following ordinance:

Ordinance No. 1305 – An Uncodified Ordinance Levying Special Taxes for the Fiscal Year 2020-21 and Following Fiscal Years Solely within and Relating to the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (Second Reading and Adoption)

**BACKGROUND / ISSUE**

The Folsom Plan Area Specific Plan Public Facilities Financing Plan (“PFFP”), approved by the City Council on January 28, 2014 via Resolution 9298, is an \$877 million plan that describes the backbone infrastructure and facility requirements, presents a comprehensive financing strategy, and sets forth the estimated time horizon for the development of the Folsom Plan Area (“FPA”).

Landowners within the FPA requested to form the proposed City of Folsom Community Facilities District No. 23 (Folsom Ranch) (“CFD No. 23”), and designate six separate Improvement Areas (each an “IA”) therein (designated as Improvement Area No. 1 through Improvement Area No. 6). Special tax revenues generated from each IA within CFD No. 23 will help fund all or a portion of the project’s share of PFFP backbone infrastructure and

facilities, including related environmental mitigation obligations. A detailed list of authorized facilities can be found under Appendix A of Resolution No. 10414, approved by this City Council on April 14, 2020. A summary of the facilities authorized to be funded by CFD No. 23 include, but are not limited to:

- Transportation Improvements including all public roadway improvements designed to meet the needs of development within CFD No. 23, including internal subdivision streets and related underground utilities
- Water System Improvements
- Recycled Water System Improvements
- Drainage System Improvements
- Wastewater System Improvements
- Park, Parkway and Open Space Improvements
- Specific Plan Infrastructure Fee Improvements
- Payment of Specific Plan Infrastructure Fee Program Obligation
- Other Incidental Expenses and Bond Issuance Costs

In addition, the following project-specific services are anticipated to be funded by CFD No. 23 special taxes.

- Enhanced open space maintenance
- Landscape corridors and paseos
- Street light maintenance
- Medians, entries and entry monumentation
- Neighborhood park maintenance
- Community amenities
- Storm water management
- Other miscellaneous costs related to any of the items described above
- Anticipated future repairs or replacements costs

The proposed CFD No. 23 is located within the FPA and is generally bounded by U.S. Highway 50 on the north, Placerville Road on the east, and White Rock Road on the south. Each IA within CFD No. 23 includes several Assessor’s Parcel Numbers, which are identified in the CFD No. 23 boundary map, which is included in the CFD Public Hearing Report. The proposed development plan for each IA within CFD No. 23 includes the following:

IA	SF Units	SF High-Density Units	MF Low-Density Units	MF Medium Density Acreage	MF High Density Acreage	Non-Residential Acreage
IA1	0	441	257	0.0	9.8	0.0
IA2	0	0	340	0.0	0.0	5.1
IA3	0	1,068	157	0.0	0.0	0.0
IA4	100	266	251	0.0	0.0	0.0
IA5	84	194	401	9.7	17.8	23.5
IA6	0	0	0	9.5	9.3	11.4

The CFD No. 23 funding stream will be a combination of bonded indebtedness and pay-as-you-go (“PAYGO”) funding, both secured by the levy of special taxes upon property within the boundaries of CFD No. 23.

On April 14, 2020, this City Council appointed consultants, approved a proposed boundary map and declared the intention to form CFD No. 23 and to levy special taxes within CFD No. 23 by passage of Resolution No. 10414. On that same date, this City Council declared the necessity for incurring bonded indebtedness in and for CFD No. 23 and in and for each IA designated therein by passage of Resolution No. 10415.

A Public Hearing and landowner election were conducted on May 26, 2020. At that time, the following resolutions were approved by the Council:

- Resolution No. 10435, the Resolution of Formation, which formed CFD No. 23, designated six separate IA’s, and authorized the levying of taxes therein
- Resolution Nos. 10436-10441, which deemed it necessary to incur bonded indebtedness within the six respective IA’s within CFD No. 23
- Resolution Nos. 10442-10447, which called for a special mailed-ballot election within each respective IA
- Resolution Nos. 10448-10453, which declared the results of the elections within each respective IA

The results of the landowner elections were as follows:

- Improvement Area No. 1: 111 in favor of the ballot measure and zero opposed
- Improvement Area No. 2: 50 in favor of the ballot measure and zero opposed
- Improvement Area No. 3: 299 in favor of the ballot measure and zero opposed
- Improvement Area No. 4: 167 in favor of the ballot measure and zero opposed
- Improvement Area No. 5: 361 in favor of the ballot measure and zero opposed
- Improvement Area No. 6: 22 in favor of the ballot measure and zero opposed

**POLICY / RULE**

Chapter 5 of the Folsom Plan Area Public Facilities Financing Plan authorizes the formation of community facilities districts (each a “CFD”) to finance the construction, acquisition, and servicing of FPA backbone infrastructure and public facilities

Section 2.5.3 of the First Amended and Restated Tier 1 Development Agreement authorizes the formation of infrastructure CFDs.

Resolution No. 9282 – A Resolution of the City Council of the City of Folsom Approving Goals and Policies for Community Facilities Districts

Mello-Roos Community Facilities Act of 1982

**ANALYSIS**

CFD No. 23 will be structured as an extended-term CFD and will provide the necessary funding to help fund all or a portion of the project’s share of PFFP backbone infrastructure and facilities, including related environmental mitigation obligations. The PFFP backbone infrastructure and facilities will be financed using both bond proceeds and PAYGO special tax revenues. The extended-term CFD structure is proposed to help meet the challenge of high-cost infrastructure and facilities while also aligning the timing of future funding availability with the need for such funding.

The PFFP backbone facilities to be funded via CFD No. 23, and listed above, were originally anticipated to be funded by either Community Facilities District No. 18 (Folsom Plan Area - Area-Wide Improvements and Services) or funded as part of project specific CFDs established for each development within the FPA.

The special tax revenue generated from taxable parcels within each IA of CFD No. 23 will be comprised of a special tax to fund facilities and a special tax to fund services. The 2020/21 maximum facilities special tax rates, set forth in each IA’s Rate and Method of Apportionment, for each land use category are provided in the table below:

Land Use Category	Residential Floor Area (square footage)	2020/21 Maximum Facilities Special Tax Rate (All IAs)	Per
Single-Family Detached Property - SF/SFHD Zoning	≥ 3,600	\$3,886	Unit
Single-Family Detached Property - SF/SFHD Zoning	3,200 - 3,599	3,571	Unit
Single-Family Detached Property - SF/SFHD Zoning	2,800 - 3,199	3,559	Unit
Single-Family Detached Property - SF/SFHD Zoning	2,400 - 2,799	3,293	Unit
Single-Family Detached Property - SF/SFHD Zoning	2,000 - 2,399	3,000	Unit
Single-Family Detached Property - SF/SFHD Zoning	< 2,000	2,900	Unit
Single-Family Detached Property - MLD Zoning	≥ 3,600	3,886	Unit
Single-Family Detached Property - MLD Zoning	3,200 - 3,599	3,571	Unit
Single-Family Detached Property - MLD Zoning	2,800 - 3,199	3,559	Unit
Single-Family Detached Property - MLD Zoning	2,400 - 2,799	3,293	Unit
Single-Family Detached Property - MLD Zoning	2,000 - 2,399	3,000	Unit
Single-Family Detached Property - MLD Zoning	< 2,000	2,900	Unit
MMD Multi-Family Attached Property	N/A	30,000	Acre
MHD Multi-Family Attached Property	N/A	11,700	Acre
Non-Residential Property	N/A	11,700	Acre

The special tax for the authorized facilities within any IA shall not be levied after the earlier of (i) Fiscal Year 2079/80 or (ii) the fiscal year occurring 50 years following (a) the fiscal year in which the first building permit was issued or (b) the first series of bonds or other debt issued for the respective IA. Each fiscal year, commencing with 2021/22, the maximum facilities special tax rate will be increased by 2% annually.

The 2020/21 maximum services special tax rates, set forth in each IA's Rate and Method of Apportionment, for each land use category are provided in the table below:

Land Use Category	IA1	IA2	IA3*	IA4	IA5	IA6	Per
Single-Family Detached Property - SF/SFHD Zoning	\$210	\$200	\$175	\$205	\$165	\$175	Unit
Single-Family Detached Property - MLD Zoning	156	103	125	140	85	85	Unit
MMD Multi-Family Attached Property	500	500	500	500	500	300	Acre
MHD Multi-Family Attached Property	1,000	1,000	1,000	1,000	1,000	300	Acre
Non-Residential Property	1,000	1,000	1,000	1,000	1,000	0	Acre

\* For Active Adult Property the maximum services special tax rate for SF/SFHD Zoning property is \$100 per unit and MLD zoning property is \$40 per unit.

The CFD No. 23 services special tax can be levied and collected in perpetuity. Each fiscal year, commencing with 2021/22, the maximum services special tax rate will be increased by the June annualized percentage change of the Consumer Price Index for all Urban Consumers, for the San Francisco-Oakland-San Jose area, not to exceed 4%.

As described above, CFD No. 23 will include an extended-term in order to provide the financing to fund CFD No. 23 authorized facilities through multiple CFD bond issues and the generation of PAYGO special tax revenue from the levy and collection of the special taxes. The primary pledge of CFD No. 23 special tax revenues will be to service outstanding CFD No. 23 debt. Special tax revenues in excess of the annual debt service and administrative expenses will be used on a PAYGO basis. 100% of the PAYGO revenue is intended to be available to the landowners to fund eligible facilities for the first 20 years, beginning the Fiscal Year following the earlier of the first building permit being issued or the first series of bonds or other debt issued for the respective IA. After that, any PAYGO revenues may be used at the City's discretion to continue to fund or acquire eligible facilities, or the City may elect to reduce the special tax levy amount to eliminate PAYGO revenues.

Ordinance No. 1305 authorizes the applicable special tax to be levied within each IA for FY 2020/21 and following fiscal years. The Ordinance was introduced for the first reading on May 26, 2020. No changes have been made to the ordinance since the first reading.

### **FINANCIAL IMPACT**

There is no direct General Fund impact on the City of Folsom. The CFD No. 23 formation, bonded indebtedness, and expenses are solely the responsibility of CFD No. 23.

## **ENVIRONMENTAL REVIEW**

An Initial Study and Mitigated Negative Declaration prepared for the Folsom Plan Area Backbone Infrastructure Project were previously prepared for, and adopted by the City Council on February 24, 2015, in accordance with the requirements of the California Environmental Quality Act. Pursuant to CEQA Guidelines section 15378(c), the term “project” does not mean each separate governmental approval for an approved activity which may be subject to several discretionary approvals by governmental agencies. Additionally, the creation of government funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment is not defined as a “project” under CEQA. CEQA Guidelines Section 15378(b)(4) and 15061(b)(3).

## **ATTACHMENTS**

1. Ordinance No. 1305 – An Uncodified Ordinance Levying Special Taxes for the Fiscal Year 2020-21 and Following Fiscal Years Solely within and Relating to the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (Second Reading and Adoption)

Submitted,



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Stacey Tamagni  
Finance Director

## **ORDINANCE NO. 1305**

### **AN UNCODIFIED ORDINANCE LEVYING SPECIAL TAXES FOR THE FISCAL YEAR 2020-21 AND FOLLOWING FISCAL YEARS SOLELY WITHIN AND RELATING TO THE CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23 (FOLSOM RANCH)**

The City Council of the City of Folsom hereby ordains as follows:

#### **SECTION 1 PURPOSE**

The City Council of the City of Folsom hereby finds, determines and declares based on the record before it that:

1. The City is authorized to establish a community facilities district pursuant to the terms of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Division 2 of Title 5 of the California Government Code, commencing with Section 53311 (the “Act”); and
2. Pursuant to Section 53350 of the Act, the City is authorized to designate improvement areas within the community facilities district; and
3. On May 26, 2020, the City Council adopted its Resolution No. 10435 (the “Resolution of Formation”) establishing the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”) and designating Improvement Area No. 1, Improvement Area No. 2, Improvement Area No. 3, Improvement Area No. 4, Improvement Area No. 5 and Improvement Area No. 6 (each an “Improvement Area”) therein pursuant to the Act; and
4. In accordance with the Rate and Method of Apportionment of Special Tax relating to each Improvement Area, the Resolution of Formation approved the annual levy, subject to voter approval, of a special tax in connection with each Improvement Area (each a “Special Tax”); and
5. The Resolution of Formation proposed the establishment of an appropriations limit for each Improvement Area (each an “Appropriations Limit”); and
6. On May 26, 2020, the City Clerk, as elections official, conducted an election of the landowners of each Improvement Area (each an “Election”); and
7. On May 26, 2020, the City Council adopted its Resolution No. 10448 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 (“Improvement Area No. 1”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 1; and
8. On May 26, 2020, the City Council adopted its Resolution No. 10449 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 2 (“Improvement Area No. 2”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 2; and

9. On May 26, 2020, the City Council adopted its Resolution No. 10450 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 3 (“Improvement Area No. 3”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 3; and
10. On May 26, 2020, the City Council adopted its Resolution No. 10451 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 4 (“Improvement Area No. 4”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 4; and
11. On May 26, 2020, the City Council adopted its Resolution No. 10452 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 5 (“Improvement Area No. 5”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 5; and
12. On May 26, 2020, the City Council adopted its Resolution No. 10453 certifying that, at the Election, the landowners of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 6 (“Improvement Area No. 6” and, together with Improvement Area No. 1, Improvement Area No. 2, Improvement Area No. 3, Improvement Area No. 4 and Improvement Area No. 5, each an “Improvement Area”) approved the Special Tax and the Appropriations Limit relating to Improvement Area No. 6; and
13. The City Council desires to levy and impose the Special Tax and to take other related actions.

## **SECTION 2**

### **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF FOLSOM RESOLVES:**

1. The recitals set forth in Section 1 are true and correct.
2. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-1 of the Resolution of Formation) within Improvement Area No. 1 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.
3. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-2 of the Resolution of Formation) within Improvement Area No. 2 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.
4. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-3 of the Resolution of Formation) within Improvement Area No. 3 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that



this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.

5. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-4 of the Resolution of Formation) within Improvement Area No. 4 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.
6. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-5 of the Resolution of Formation) within Improvement Area No. 5 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.
7. A special tax is hereby levied on all Taxable Property (as defined in Exhibit D-6 of the Resolution of Formation) within Improvement Area No. 6 for the 2020-21 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized tax, provided that this amount may be adjusted annually, subject to the maximum authorized special tax limit, by resolution of the City Council.
8. The Finance Director of the City of Folsom or designee thereof (the “CFD Administrator”) is authorized and directed, to determine each year, without further action of the City Council, each Special Tax, to prepare the annual Special Tax roll in the amount of each Special Tax in accordance with the related exhibit and, without further action of the City Council, to provide all necessary and appropriate information to the Sacramento County Auditor-Controller’s Office (the “County”) in proper form, and in proper time, necessary to effect the correct and timely billing and collection of each Special Tax on the secured property tax roll of the County; provided, that as provided in the Resolution of Formation and Section 53340 of the California Government Code, the City has reserved the right to utilize any method of collecting each Special Tax which it shall, from time to time, determine to be in the best interests of the City of Folsom (the “City”), including but not limited to, direct billing by the City to the property owners and supplemental billing.
9. The appropriate officers and agents of the City are authorized to make adjustments to the Special Tax roll prior to the final posting of each Special Tax to the County tax roll each fiscal year, as may be necessary to achieve a correct match of each Special Tax levy with the assessor’s parcel numbers finally utilized by the County in sending out property tax bills.
10. The City agrees that, in the event the Special Tax for an Improvement Area is collected on the secured tax roll of the County, the County may deduct its reasonable and agreed charges for collecting such Special Tax from the amounts collected, prior to remitting such Special Tax collections to the City.
11. Taxpayers who have requested changes or corrections of the applicable Special Tax pursuant to Section I of the Rate and Method of Apportionment of the related Special Tax

and who are not satisfied with the decision of the CFD Administrator (whether the CFD Administrator disagrees with the taxpayer or concludes that the City is not authorized to consider the change requested), may appeal to the City Council. The appeal must be in writing, fully explain the grounds of appeal and must be based solely on the correction of mistakes in the levy based upon the status of the property, and no other appeals will be allowed. The CFD Administrator shall schedule the appeal for consideration within a reasonable time at a City Council meeting.

**SECTION 3 SEVERABILITY**

If for any cause any portion of this ordinance is found to be invalid, or if the applicable Special Tax is found inapplicable to any particular parcel by a court of competent jurisdiction, the balance of this ordinance, and the application of such Special Tax to the remaining parcels, shall not be affected.

**SECTION 4 EFFECTIVE DATE**

This ordinance shall take effect and be in force as a tax measure thirty (30) days following its second reading and adoption at a meeting of the City Council; and before the expiration of twenty (20) days after its passage the same shall be published, with the names of the members voting for and against the same, at least once in a newspaper of general circulation published and circulated in the District.

This ordinance was introduced and the title thereof read at the regular meeting of the City Council on May 26, 2020, and the second reading is to occur at the regular meeting of the City Council on June 9, 2020.

On a motion by Council Member \_\_\_\_\_ seconded by Council Member \_\_\_\_\_, the foregoing ordinance was passed and adopted by the City Council of the City of Folsom, State of California, this 9<sup>th</sup> day of June, 2020 by the following roll-call vote:

**AYES:** Council Member(s):  
**NOES:** Council Member(s):  
**ABSENT:** Council Member(s):  
**ABSTAIN:** Council Member(s):

\_\_\_\_\_  
Sarah Aquino, MAYOR

ATTEST:

\_\_\_\_\_  
Christa Freemantle, CITY CLERK