



COMMUNITY FACILITIES DISTRICT FAQ

Important Terms

CAB: Capital Appreciation Bond

CFD: Community Facilities District

CFA: Community Facilities Act (more commonly known as Mello-Roos)

COP: Certificates of Participation

GOB: General Obligation Bond

What is a Traditional CFD?

A single development or set of developments where boundaries are fixed.

Note: This applies to CFD 1 & 2.

Can CFD funding be used to replace portable classrooms with new permanent classrooms?

Yes. The theory is that the portable classrooms are a temporary mitigation measure. As a result, we are not replacing capacity we are constructing new capacity. Just because the students were housed in the temporary classrooms on the same site that they will be housed permanently doesn't change the rationale.

Could the City and School District enter into CFD together to support city needs as well as the School District's needs?

The City and School District can partner up on a CFD. There are two (2) ways to structure this.

Option 1: Joint Powers Authority

The City and School District can form a Joint Powers Authority (JPA). The JPA would be governed by a Board made up of staff and/or Board members from the City and School District. The JPA would be the lead agency on one or more CFDs that would benefit the members (City and School District). This structure has been used when working with Elementary and High School Districts. The benefit is that the member agencies maintain equal power and administrative burden. If structured correctly this could provide additional efficiency to the developers because the City services component could be used as Debt Service Coverage.

Option 2: Joint Community Facilities Agreement

The School District could enter into a Joint Community Facilities Agreement with the City. In this structure the City would form and administer the CFD. The School District would receive funding when bonds are issued. Council does not believe the School District could be the lead agency on a CFD that funds City services. If the School District is not the lead agency, they would lose much of the control over the funding mechanism.

Do we pay COP on other Mello-Roos?

No. CFDs completed after CFD 1989-1 had larger bond authorizations so that sufficient funds could be generated for the project list items required to house students from their developments through the sale of bonds.

During Measure M, was Mello-Roos suspended so as not to change both Measure M and Mello-Roos?

As part of the last General Obligation Bond election, the District agreed to reduce the Mello-Roos tax in all CFDs by approximately \$54 as an offset to the increased tax rate.

For CFD-3, why are site lists different?

Why do sites list both South Manteca High & Lathrop High as well as Rustic Elementary (South Manteca), and North Manteca Elementary School?

What are the boundaries & do they make sense?

On Exhibit B CFD 2000-3 the list of authorized facilities mentions the 4th high school, is this Weston Ranch High School?

Staff recommends that all projects & facilities refer to the original and/or existing Exhibit list.

See "Task 7" CFD 2000-3.

Staff has received two different interpretations from financial advisors/legal counsel as to the definition for the 4th high school. One argument is that the 4th high school is referencing Tinnin Rd. as 1) Manteca High 2) East Union and 3) Sierra. All three of these high schools are impacted by CFD 2000-3. Another argument is that Weston Ranch is the 4th high school. As no CFD 2000-3 funds have been used on Weston Ranch it appears previous administration/Board did not consider Weston Ranch the 4th high school.

Have COP been used on other CFDs?

COPs have been issued by other school districts and cities as part of their CFD-related debt programs. The District has not needed or used COPs for its other CFD areas.

How are Mello-Roos boundaries determined?

For future Mello-Roos Districts:

How are boundaries determined?

If new development becomes a part of an existing CFD, does that extend the length of the CFD by incorporating 30 years for new housing and does that adjust the amount paid by homeowners throughout that CFD? Projects should match the actual impact new development causes in that particular area (such as new elementary schools in South Manteca, South Manteca High School, improvements (possibly portables) for existing area schools to mitigate growth in the South Manteca area.

The CFD boundaries align with the boundaries of the development and/or the owners that join the CFD. Often, CFD boundaries can be a patchwork of homes and/or development and are therefore not connected.

The tax would be limited to 30 or 35 years per home. The 30 years would start when the home is completed. As a result, the CFD will continue for 30 years from when the last homes within the CFD were completed. Individual homes, however, would only be taxed for 30 years or 35 years dependent on the CFD.

How much of the CFD (Mello-Roos) was used for the East Union High stadium and any other buildings before Weston Ranch High School was open?

General Funds: \$91,807.00

CFD-2: \$1,310,315.00

Is CFD 1 financing a CAB?

Yes.

What about voter approval for Mello-Roos increase?

Regarding the yearly property taxes – The misuse of Mello-Roos on California property taxes can be increased above 1% of assessed value without voter approval. Local government agencies can increase property taxes to pay for bond department, but they must get 2/3's voter approval because it is the voter that must pay the department.

Proposition 13 capped, with limited exceptions, ad valorem property tax rates at 1% of full cash value at the time of acquisition ("Assessed Value"). The Assessed Value of a property is increased by 2% in each year it is not sold and the property's Assessed Value is reassessed when it is sold. The majority of the School District's operating budget is funded by their portion of this 1%.

Proposition 13 requires taxes raised by local governments for a designated or special purpose to be approved by two-thirds of the voters (this threshold was reduced to 55% for school district G.O. Bonds under certain circumstances). The School District relies on periodic voter approved measures to fund capital facilities projects. In every case the School District conducted a special election to form or annex property into Mello-Roos Community Facilities Districts and received greater than 2/3s of the votes in favor.

What are the advantages and disadvantage of borrowing money from COP?

CFD Bonds are secured by the revenues of the CFD. Borrowing additional new money bonds does not impact the School District's operating finances because the Community Facility District generates its own revenue through special taxes to pay its debt service. Borrowing new money bonds generates funds for school projects that might otherwise need to be paid from developer fees, RDA funds or the general fund. Additionally, no building projects can impact the general fund by increasing the cost of transportation or by adding operating costs for implementing multi-track year-round education on one or more campuses. Not issuing CFD bonds can place pressure on revenues controlled by the District as part of its operating budget when capital projects are needed.

CFD refinancing bonds are also secured by the revenues of each CFD. When refinancing, annual debt service and total debt service is reduced. The principal amount of bonds rises to cover issuance costs and escrow inefficiency, but interest payments fall to an even greater degree -- producing lower overall payments. Escrow inefficiency is caused by federal tax laws and market conditions. The IRS restricts the District's ability to invest funds at the newer low borrowing rate even though the escrow funds continue to pay for bonds at the old, higher rate until the bonds can be redeemed. Additionally, market conditions (such as those that exist today) may prevent the District from investing even at the new lower rate. All these transaction costs are included in calculating savings. Savings can be used to borrow additional funds for necessary remaining CFD projects or applied to reducing taxes once the CFD projects are declared complete. CFD refunding bonds have no greater impact on District finances than new money bonds.

What has been your experience with new developments & developers paying their fair share of school facilities to meet the needs of present & future students?

In the past, the City of Manteca, City of Lathrop, and developers have understood the critical role public schools play in building and maintaining a safe and successful community. To date, MUSD's CFD program has been a successful tool, providing the funding needed to build quality schools to meet the needs of our growing community.

Developers enter into a mitigated agreement with the district to provide school facility funding for interim housing and school facility funding.

MUSD staff is engaged in an active dialog with all parties regarding the need for the continuation of their support.

What is a Verification Analysis?

A report that shows the amount of money saved.

What is an Annexing CFD?

Where new developers can annex. Constantly changing boundaries.

Note: This applies to CFD 3 & 4.

What was Proposition 218?

Right to Vote on Taxes Act

When new developments are annexed in are fees reassessed? Traditional vs. Annexed?

Whether a property is annexed into the CFD or is included in the original formation their special tax obligation is outlined in the Rate and Method of Apportionment that is approved when the CFD is formed. MUSD currently is only annexing property into CFD No. 2000-3 and CFD No. 2005-4. In each case the special tax is not assessed on a property until a building permit is pulled for the construction of a residential unit. The special tax is assessed on each property for a term of 29 years. If additional properties are annexed, it does not affect the properties that are already within the CFD. All properties continue to pay the special tax in the amount and for the duration they would have if an annexation had not taken place.

Why is the RMA rate for CFD 4 so much higher than CFD 3?

CFD #3 RMA is at a lower rate of \$0.352/ square foot, and CFD #4 is at a higher rate of \$0.600/square foot for single family dwelling unit.

The RMA rate for CFD 4 is higher because it was based upon the projected cost of new K-12 facilities in 2005 dollars.