



Legislation Text

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**AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION**

DATE: 8/15/2018

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:

City Council consideration to adopt Resolution No. 2018-101 declaring intention to establish proposed Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona and Resolution No. 2018-102 declaring necessity to incur a bonded indebtedness of proposed Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona; to amend purchase order number P20751 for Spicer Consulting Group and issue a new purchase order for CSG Advisors Incorporated.

RECOMMENDED ACTION:

That the City Council:

1. Adopt Resolution No. 2018-101 declaring intention to establish proposed Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona.
2. Adopt Resolution No. 2018-102 declaring necessity to incur a bonded indebtedness of proposed Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona.
3. Authorize the Purchasing Manager to increase Purchase Order ("PO") P20751 in the amount of \$20,000 for Spicer Consulting Group ("SCG") totaling PO to \$238,350 .
4. Approve the Professional Services Agreement ("PSA") for financial advisory service with CSG Advisors Incorporated ("CSG"), in the amount of \$12,000 as an exception to bidding pursuant to Corona Municipal Code (CMC) 3.08.140(e) and authorize the Purchasing Manager to issue a new PO to CSG.

ANALYSIS:

The City was approached by CalAtlantic Group, Inc. a Delaware corporation (the "Developer") regarding the formation of a Community Facilities District (the "CFD") for the purpose of financing the public facilities and services which are necessary to meet increased demands placed upon the City as a result of the proposed development.

The proposed development, Sierra Bella Project (the "Project"), is located generally south of Green River Road, beyond Calle Del Oro and west of Paseo Grande ("CFD 2018-2"). The Project consists

of 237 single family detached homes divided into two distinct project lines, Sonata and Adagio.

The types of public facilities proposed to be financed by the proposed CFD include the construction, purchase, modification, expansion and/or improvement of certain storm drain facilities, flood control facilities, water and wastewater facilities; other City facilities to be funded by certain City development impact fees as described in Exhibit A of the Resolution No. 2018-101.

The services proposed to be financed include, but not limited to, all costs attributable to maintenance and lighting of perimeter parks, parkways, streets, roads and open space; maintenance and operation of water quality improvements which include storm drainage and flood protection facilities; maintenance and operation of traffic signals; and public street sweeping on the segments of the arterials and local roads within the boundaries of the CFD 2018-2.

The initial step in the process to establish the CFD 2018-2 is for the City Council to approve Resolution Nos. 2018-101 and 2018-102. Once approved, the final steps would occur in conjunction with a public hearing regarding the formation which, per resolution, would be set for September 19, 2018.

Resolution No. 2018-101 declaring intention to establish proposed CFD 2018-2 serves the following purposes:

1. It describes the boundaries of the proposed CFD 2018-2;
2. It describes the types of facilities and services that will be financed with the special taxes and bond proceeds;
3. It describes the rate and method of apportionment of the special taxes to be levied on the properties within the proposed CFD 2018-2; and
4. It calls for a public hearing to be held on September 19, 2018, at 6:30 p.m. in the City Council chambers.

Resolution No. 2018-102 declaring necessity to incur bonded indebtedness establishes the maximum amount for the bonds to be issued for each improvement areas, and declares that special taxes to be levied on the properties within the proposed CFD 2018-2 are to be used for payment of debt service on the bonds, the administrative expenses, and the public facilities costs relating to CFD 2018-2. The resolution also calls for a public hearing to be conducted on September 19, 2018.

Staff recommends that the City Council adopt the above referenced resolutions in order to accelerate funding for the master planned improvements. The special taxes will also provide for ongoing services related to the public improvements financed, which reduces the burden on the City's General Fund caused by the increased service demand.

Should these resolutions be approved and the formation process proceed, the actual formation of the proposed CFD 2018-2 will occur following the actions taken at the public hearing on September 19, 2018. At the hearing, the City Council will be presented with information regarding the proposed CFD 2018-2, the special taxes to be levied, and the public facilities and services to be financed with the bond proceeds and special taxes.

The City's financing team has been actively working on the formation of the proposed CFD 2018-2. The financing team consists of bond counsel, Best Best & Krieger, special tax consultant, Spicer

Consulting Group, financial advisor, CSG Advisors Incorporated, and staff members of the Public Works Department, Administrative Services Department and Legal and Risk Management.

The City awarded the special tax consulting services to SCG in January 2018 through a competitive process. A PO was issued in the amount of \$160,000 to cover all existing special tax district administration work. The cost of special tax consulting services for CFD 2018-2 formation is not covered by the existing PO with SCG. Therefore, staff is requesting to increase PO P20751 by \$20,000, calculated based on the mutually agreed upon rates per the PSA between the City and SCG.

CSG has been serving the City since 2010 and has provided exceptional services in bond issuance and refinancing, CFD formation, debt policy revisions. CSG possesses large client base and extensive experience in CFD financing. CSG has been working with the City as a business partner to assist staff members review developers' financing applications and evaluate the impact of the proposed debt on the community. CSG has a great reputation for advocating prudent financing philosophy, they are well respected by the developers, and trusted by the City. Therefore, staff is recommending that the City Council approve the contract with CSG and dispense with public bidding of the financial advisory service for the formation of CFD 2018-2 in the amount of \$12,000.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions. The recommended action will help achieve these goals by communicating the intention to establish a CFD is to facilitate development projects, accelerate the funding for master planned improvement, and achieve fiscal sustainability.

FISCAL IMPACT:

The costs associate with the formation of the proposed CFD 2018-2 are paid from a deposit made by the Developer. Ongoing cost for administrating the CFD's finances will be reimbursed from the special taxes levied annually on property owners within CFD 2018-2. Bonds to be issued for CFD 2018-2 will be the sole responsibility of the property owners. The City has no responsibility for the debt service requirement associated with these bonds.

Once the proposed CFD 2018-2 is established, at the beginning of each fiscal year, commencing on July 1, 2019, the City Council will determine the special tax requirement and levy the special tax upon each of the assessor's parcels within the proposed CFD 2018-2 based on their land use category until the aggregate amount of special tax equals the special tax requirement. The special tax will be levied proportionately on all assessor's parcels up to 100% of the application maximum special tax to satisfy the special tax requirement. For residential properties, the maximum total tax burden in the proposed CFD 2018-2 is set at 1.85% of the projected home price. The estimated ad valorem base tax rate is approximately 1.10%, while the special tax rates, for services and facilities, are roughly 0.75% of the projected home price.

The proceeds from the proposed bonded indebtedness shall finance all costs in connection with the construction and acquisition of the public facilities within and for CFD 2018-2, including advancement

of funds for expenses existing at the time of the bond issuance, architectural, engineering, inspection, legal, fiscal and financial consultant fees, bond and other reserve funds and interest on any bonds of CFD 2018-2 estimated to be due and payable within two years from the date of issuance of such bonds, election costs, and all cost of issuance of the bonds.

The special taxes will be levied annually to pay for the debt service costs of the bonded indebtedness, as well as the cost of services to be provided to the residents within the boundaries of CFD 2018-2 as specified in the attached resolutions.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the adoption of the resolutions may have a significant effect on the environment, the action is not subject to CEQA. This action merely declares the City's intent to form CFD 2018-2 and the necessity to issue bonds in connection therewith and there is no possibility that adopting the above resolutions will have a significant effect on the environment. Therefore, no environmental analysis is required.

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