



Item Number: 9

City Council / Board of Directors

Written Communications

Meeting of: October 15, 2024

Submitted By:

Jenele Davidson, Deputy City Manager

Subject:

Resolution of Intention to Establish a Community Facilities District No. 2024-01 to Provide City Services

Recommendation:

Staff recommends that the Honorable City Council:

- (1) Accept the petitions from the property owners requesting initiation of formation of Community Facilities District No. 2024-01 of the City of Victorville (Municipal Services) ("CFD 2024-01") to finance certain ongoing municipal services; and
- (2) Adopt Resolution No. 24-092, authorizing the intention to establish CFD No. 2024-01, levy a services special tax, and set a Public Hearing date for November 19, 2024.

Fiscal Impact:

Establishment of CFD No. 2024-01 will allow for the levy of special taxes to pay for vital municipal services. In addition, CFD No. 2024-01 municipal services taxes will be increased annually by either the Consumer Price Index (CPI) for the calendar year ending in December of the prior year or five percent (5%), whichever is greater, to ensure that the increased cost of providing services is adequately mitigated. Two separate funds will be created for each component of the municipal services associated with Community Facilities District (CFD): Citywide CFD – Public Safety (Special Tax A) and Citywide CFD – Maintenance (Special Tax B). Following the formation of the CFD, new residential and non-residential projects will annex into the Citywide CFD as part of their project conditions.

Annually, staff will bring forth an update item to keep the Council informed of what projects have annexed into the CFD and provide a status report.

Strategic Plan Goal:

The City Council adopted the updated Strategic Plan with seven overarching goals to be completed between 2023 and 2026 and various strategies aimed to achieve these goals. Under Goal A, Financial Sustainability, Strategy 5 is focused on exploring the potential creation of a CFD or other financing mechanisms for operation and maintenance of various public improvements. This item establishes the City's intent to form a Citywide services CFD and allow future development projects to annex into the CFD. Implementing this new Citywide CFD will help alleviate the financial burden on the General Fund by addressing future impacts of new development on public safety and maintenance services.

Background:

The City's Strategic Plan was last updated in August 2023, outlining goals for the next three years. Among them, Goal A is Financial Sustainability, was carried forward from the 2020 Strategic Plan and intended to ensure fiscal health through disciplined long-term planning, cost control, increased revenues, and cost recovery. As staff continue to evaluate the City's needs and expense obligations for each of the funds it manages, unique funding mechanisms are analyzed to determine the feasibility of using other financial instruments to accomplish the City's financial goals.

These goals include ensuring there is a funding mechanism for infrastructure that is brought forth by new development and the City's perpetual maintenance obligation. The current options for mitigating the cost of additional municipal services for new development include, annexing into or forming a Landscape Maintenance Assessment District (LMAD), Drainage Facilities Assessment District (DFAD), Maintenance Assessment District (MAD), Street Light Assessment District (SLAD), or the development may form its own Homeowners Association (HOA). However, the maintenance districts allowed under the Landscape and Lighting Act of 1972 do not cover road maintenance and graffiti abatement, two maintenance items that will be covered under the proposed services CFD for maintenance.

In December 2021, staff began exploring CFDs and the possibility of forming a district within the City to require new development to mitigate the cost associated with the provision of additional municipal services attributable to such development. A CFD falls under the Mello-Roos Community Facilities Act of 1982 (Mello-Roos Act) and is a special tax district formed when property owner(s) within a geographic area agree to impose a tax to fund infrastructure improvements and/or services.

The Mello-Roos Act, California Government Code Section 53311 *et seq.*, authorizes the City to establish a CFD to finance certain public services through the levy of a special tax. The services that can be financed by a CFD under the Mello-Roos Act include the following:

- Police protection services, including, but not limited to, criminal justice (limited to providing services for jails, detention facilities, and juvenile halls).
- Public Safety as it relates to code enforcement.

- Fire protection and suppression services, ambulance and paramedic services.
- Maintenance and lighting of parks, parkways, streets, roads, and open spaces.
- Flood and storm protection services, including, but not limited to, the operation and maintenance of storm drainage systems, plowing and removal of snow, and sandstorm protection systems.
- Services with respect to removal or remedial action for the cleanup of any hazardous substance released or threatened to be released into the environment.
- Operation of library and recreation programs.
- Operation of future museums and cultural facilities.
- Maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the local agency or by another local agency (by agreement).

With the help of the City's CFD Consultant, Webb Municipal Finance, LLC (Webb), the City developed and applied a new condition of approval to all applicable project entitlements beginning in August of 2022, requiring annexation into a citywide services CFD if one was formed by the City. There are two separate components of the proposed services CFD: public safety and maintenance.

In May 2024, Webb and City staff provided an overview of what a Citywide CFD would look like, what the tax rate might be given the current property values in the City, and the next steps required to move forward in the process.

The next step in forming the Citywide CFD was to find a development project that was at a point within the development process where a tract map was nearly ready to record with developers willing to form the CFD. Staff worked with a variety of developers to ensure that a viable project would form the CFD.

CFD No. 2024-01 will be formed as a Citywide annexable CFD, and all future developments will be required to annex into CFD No. 2024-01 to pay for certain City services.

The initial project proposing to form CFD No. 2024-01 is Tract Map 14525. The project is proposed to be residential use with 312 units and will be constructed on 116.79 acres in the City of Victorville.

The CFD No. 2024-01 Municipal Services Special Tax will be used to pay for eligible City services including public safety services; street and road maintenance; and the operations, maintenance and lighting of parks, parkways, streets, roads and open space and other authorized services specified in Government Code Section 53313 that the City will provide to this project area.

At this time, the City will not be using the CFD special tax for library and recreation programs or museum operations; however, in the future the Council can elect to begin funding these services through the CFD. If the City does not include these services by name when forming the Citywide CFD, the City will not be able to apply CFD funds to these services in the future. Should General Fund or Measure P become strained, the City will have a financial option to ensure these services can still be provided to new development.

Discussion:

Current Government Code provisions require the City Council, following receipt of a petition requesting the institution of CFD formation proceedings signed by landowners owning the requisite portion of the area of the proposed CFD and specifying the type or types of facilities and services to be financed by the CFD, to adopt a Resolution of Intention (ROI) to establish the CFD.

The City Council must set a public hearing date not less than thirty (30) days, but no more than sixty (60) days after the date the ROI is adopted, at which it will hear testimony, protests, and receive information regarding the establishment of the CFD. At least seven (7) days prior to the public hearing, a notice thereof must be published in a local newspaper. After the public hearing has been held, if sufficient written protests against the establishment of the CFD have not been received from a majority of the landowners in the proposed CFD territory, the City Council may determine to establish the CFD by adopting a resolution of formation, which includes the information required by Government Code Section 53325.1. Thereafter, a special election is called and held at which the affected property owners cast their ballots for or against establishment of the CFD and the levying of the special tax. The ballots are counted and, if the CFD is approved by the property owner(s), the City adopts a resolution determining the formation of the CFD.

The levy of the proposed special tax is subject to approval by the property owner(s) forming the CFD at a public hearing. The proposed voting procedure shall be ballots hand delivered to the landowners in the proposed CFD. Currently, SLPR, LLC and Fontana Land Associates, LLC are the owners of the properties that will be included to form the Citywide services CFD. SLPR, LLC has submitted one signed CFD Petition for Parcel No. 0473-163-12 and SLPR, LLC and Fontana Land Associates have submitted one signed CFD Petition for Parcel No. 0473-181-27; the landowners consent to the formation of CFD 2024-01; and acknowledges the City's intent to establish the Future Annexation Area (Attachment A – Exhibit A) to streamline the process for future properties annexing into CFD No. 2024-01.

Pursuant to Section 53313 of the Mello-Roos Community Facilities Act of 1982, the City proposes to authorize a special tax levy on the property to help pay for eligible City services that will be provided to CFD No. 2024-01.

If Council moves forward with the staff recommendation, the Public Hearing will be scheduled for Tuesday, November 19, 2024, at 6:00 p.m. (or soon thereafter) to form the Citywide CFD for municipal services.

Staff is available for any questions you may have.

Attachments: A. Resolution No. 24-092