



CITY OF MENIFEE

SUBJECT: Ordinance Introduction and Formation of Community Facilities District Community Facilities District No. 2023-2, Cimarron Ridge (Facilities)

MEETING DATE: April 19, 2023

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Regina Funderburk, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a resolution establishing Community Facilities District No. 2023-2 (Cimarron Ridge) of the City of Menifee (CFD No. 2023-2 or CFD); and
2. Adopt a resolution determining the necessity to incur bonded indebtedness for CFD No. 2023-2 (Cimarron Ridge) of the City of Menifee; and
3. Adopt a resolution certifying election result for CFD No. 2023-2 (Cimarron Ridge) of the City of Menifee; and
4. Introduce an ordinance authorizing the levy of special taxes within CFD No. 2023-2 (Cimarron Ridge) of the City of Menifee; and
5. Approve an Acquisition, Construction and Funding Agreement with Pulte Home Company.

DISCUSSION

The Finance Committee reviewed the proposed CFD No. 2023-2 and recommended submittal to the City Council for approval at the March 15, 2023, City Council meeting.

On March 15, 2023, the City Council adopted Resolution No. 23-1926 (the "Resolution of Intention"), declaring its intent to commence the formation of CFD No. 2023-2 and the designation of Improvement Area No. 1 and Improvement Area No. 2 therein. The next steps in the proceedings are to hold a public hearing on April 19, 2023, to conduct an election in each of Improvement Area No. 1 and Improvement Area No. 2 and to declare the results of those elections.

The developer, Pulte Home Company, LLC, a Michigan limited liability company ("Pulte"), is proposing to develop a residential community of 756 homes on approximately 209 gross acres within the City. The property is located to the southwest of McLaughlin Road and Byers Road. Pulte has requested that the City form CFD No. 2023-2 and Improvement Area No. 1 and Improvement Area No. 2 therein in accordance with the Mello-Roos Community Facilities Act of 1982, as amended, to finance the costs of certain public improvements through the levy of a special tax and the issuance of bonds in an amount not-to exceed \$10,000,000 for Improvement Area No. 1 and \$15,000,000 for Improvement Area No. 2 (for a total of \$25,000,000).

Pulte requested that the boundaries of CFD No. 2023-2 include the area described in "Attachment A" of the Resolution of Intention (Resolution No. 23-1296) and within Appendix C: Boundary Map of the Public Hearing CFD Report (Attachment 5) and that special taxes be levied within the boundaries of Improvement Area No. 1 in accordance with the Rate and Method of Apportionment (the "Improvement Area No. 1 RMA") as described in Attachment C to the Resolution of Intention and within the boundaries of Improvement Area No. 2 in accordance with the Rate and Method of Apportionment (the "Improvement Area No. 2 RMA" and together with the Improvement Area No. 1 RMA, the "RMAs" and each an "RMA") as described in Attachment D to the Resolution of Intention (Resolution No. 23-1296), and which are included as appendices to the attached Public Hearing CFD Report (Attachment 5).

The Resolution of Intention called for a public hearing to be held on April 19, 2023, for the City Council to formally consider the approval of the formation of the CFD, the designation of Improvement Area No. 1 and Improvement Area No. 2 therein and the approval of the levy of the special taxes within each of Improvement Area No. 1 and Improvement Area No. 2. Notice of the public hearing was published in the Press Enterprise and mailed to Pulte in accordance with the Act.

In connection with the public hearing, Spicer Consulting Group has prepared a Public Hearing Report which describes and analyzes the facilities to be financed by the CFD and the estimated costs of such facilities. Following the close of the public hearing, the City Council will be asked to adopt the Resolution of Formation and the Resolution Determining the Necessity to Incur Debt which, together, approve the formation of the CFD, the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, and the levy of the special taxes within each of Improvement Area No. 1 and Improvement Area No. 2 in accordance with the applicable RMA and determines the necessity for the CFD to issue bonds in an amount not-to-exceed \$10,000,000 for Improvement Area No. 1 and \$15,000,000 for Improvement Area No. 2. Such Resolutions call for elections to submit to the qualified voters in each of Improvement Area No. 1 and Improvement Area No. 2, ballot measures on the approval of the special taxes, the issuance of the bonds and an appropriations limit for the CFD.

In addition, the Resolution of Formation, approves the execution and delivery of the following agreements in the forms presented to the City Council: (i) the Acquisition, Construction and Funding Agreement with Pulte (the "Funding Agreement"); and (ii) the Joint Community Facilities Agreement with Pulte and Eastern Municipal Water District ("Joint Community Facilities Agreement"). The Funding Agreement sets forth the terms, among others, pursuant to which the CFD will finance improvements to be constructed by Pulte. In accordance with the Mello-Roos

Act, the approval and execution of the Joint Community Facilities Agreement allows for the CFD to finance improvements to be owned and operated by Eastern Municipal Water District, which benefit the development within the CFD.

On file with the City Clerk are Certificates of the Registrar of Voters of Riverside County, attached for reference, certifying that there are no registered voters residing within the boundaries of the CFD. Accordingly, under the Mello-Roos Act, only landowners in each of Improvement Area No. 1 and Improvement Area No. 2 are eligible to vote at the election with each owner having one vote for each acre (or portion thereof) that they own within the applicable Improvement Area. Pulte, as the sole landowner in each Improvement Area, has executed a consent and waiver of certain election procedures for the election within each Improvement Area, including certain timing requirements with respect to the election in accordance with the Mello-Roos Act. Accordingly, if the City Council approves the Resolution of Formation and the Resolution Determining the Necessity to Incur Debt, the City Clerk will conduct the elections. The City Clerk will announce the elections results and the City Council will be asked to adopt the Resolution Certifying the Election Results. Based on upon certification that two thirds of the votes cast are in favor of the propositions voted upon for an Improvement Area, the Resolution Certifying the Election Results directs the City Clerk to record a notice of special tax lien on the property within such Improvement Area. The City Council will then be asked to introduce the Ordinance authorizing the levy of the special tax within each Improvement Area in accordance with the applicable RMA.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The CFD will be required to annually levy special taxes on all of the taxable property within the CFD in order to pay for the costs of facilities, debt service on bonds and administration of the CFD. Any bonds issued by the CFD are not obligations of the City and will be secured solely by the special taxes levied in the applicable Improvement Area. Pulte has made a deposit to pay for the costs of forming the CFD. The Resolution of Intention, Section 13 approved a form of a Reimbursement Agreement to reimburse Pulte for these costs if and when bonds are issued for CFD.

ATTACHMENTS

1. Resolution Establishing CFD
2. Resolution of Intent to Incur Debt CFD No. 2023-2
3. Resolution Certifying Election Results
4. Ordinance - Authorizing the Levy of Special Taxes
5. Public Hearing CFD Report
6. Funding Agreement CFD No. 2023-2
7. Joint Community Facilities Agreement (EMWD)