OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0382022-002

Agenda Item **No.5(d)**
Meeting of April 19, 2022

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: James B. Morales, Interim Executive Director

SUBJECT: Approving a budget and levy of special taxes for July 1, 2022 through June 30, 2023 for Community Facility Districts administered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco

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OCII administers seven Mello-Roos Community Facilities Districts (CFDs) in the former Rincon Point South Beach, Mission Bay North and South, Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas. These CFDs finance specified public facilities and services and borrow money by issuing bonds or incurring other debt to assist with financing these facilities. The facilities and services eligible for funding are determined by the Mello-Roos Community Facilities Act of 1982, Cal. Govt § 53311 et seq. and the CFD formation documents that either the Redevelopment Agency or Successor Agency Commission previously approved.

The Fiscal Year (FY) 22-23 CFD Budget includes an estimate of the special tax levy for FY 22-23, which will be finalized in August 2022. Under the Mello Roos Act, the special tax levy is set by the Rate and Method of Apportionment, which is approved by the Commission at the time of CFD formation. The CFD budget also details the projected expenditure of this revenue, including 2023 debt service amounts. The proposed FY 2022-23 CFD budget is $24.9 million, $18.9 million funded by the FY 2022-23 special tax levy, $5.9 million funded by special tax fund balance, and $0.1 million funded by pledged Mission Bay North Property Tax.

The following memorandum summarizes the FY 22-23 CFD Budget. The budget narrative attached to Resolution 12-2022 provides more detail, including background on CFDs and the CFD budget process as well as a budget and workplan for each CFD.

OCII staff recommend approval of the FY 22-23 Budget for the Community Facilities Districts.

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DISCUSSION

The Mello-Roos Act provides an alternative method of financing certain public capital facilities and services and allows local agencies to create CFDs to fill some funding gaps created after the passage of Prop 13 (June 1978). CFDs have the power to levy and collect special tax, finance specified public facilities and services, and borrow money (issue bonds or incur debt) to finance facilities. A CFD is a voter approved district that levies a special tax based on the unique tax formula (Rate and Method of Apportionment, or "RMA") approved by the Commission at formation. CFDs help to amortize costs over a longer time period to reduce the upfront burden of development. Repayment of CFD debt is secured by a special tax on property bills. To form a CFD, the landowners must petition for formation and obtain 2/3 approval with property owners within the district boundaries.

CFDs can be maintenance, infrastructure, or both. OCII administers the following CFDs:

Table 1: Background on OCII's CFDs

CFD	Title	Formation Year	Infrastructure / Maintenance	Term	Outstanding Debt (Millions) August 2021	Available Bond Capacity (Millions) August 2021
CFD 1	South Beach Improvements and Maintenance	1988	Infrastructure / Maintenance	Facilities – Ended; Services – No Sunset	$0.0	$0.0
CFD 4	Mission Bay North Public Improvements	1999	Infrastructure	2032* (last debt service payment)	$6.3	$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance	FY 2043-44	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	$115.8	$56.3
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	$31.8	$30.5
CFD 8	Hunters Point Shipyard Phase One Maintenance	2008	Maintenance	No sunset	N/A	N/A
CFD 9	Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services	2018	Infrastructure / Maintenance	Facilities - NTE 75 years; Services - No Sunset	$0.0	$202.0 (project area 1)

FY 22-23 CFD Budget

The FY 22-23 CFD budget totals $24.9 million, which is $6.1 million more than the FY 21-22 budget of $18.8 million. **Table 2** shows a detailed breakdown of the FY 22-23 expenditures.

As shown in **Table 2**, of the $18.9 million in special tax budgeted for the CFDs, 59.6% is for debt service for previously issued debt, 17.5% is for maintenance services, which are professional services to maintain parks and streetscapes in the maintenance districts, 16.2% is for infrastructure, and the remaining 6.7% is projected to cover administrative expenses, maintenance reserves, and contingency to cover unforeseen expenditures. CFDs 1 and 7 will use $5.9 million in fund balance composed of special tax collected in prior years to fund capital improvements or developer infrastructure reimbursement. CFD 4 also includes $70,000 in expenditure for debt service funded by Mission Bay North property tax, which is the only available funding source because CFD 4 does not levy a special tax.

Table 2: FY 22-23 CFD Budget Summary

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax	Fund Balance	Mission Bay North Property Tax	Total	% FY 22-23 Special Tax
Debt Service	Debt service for previously issued debt	$ 11,261,249	$ -	$ 70,000	$ 11,331,249	59.6%
Maintenance and Operations	Professional services to maintain park system	$ 3,315,503	$ -	$ -	$ 3,315,503	17.5%
Infrastructure	Direct payments for infrastructure or reimbursements to developer infrastructure	$ 3,067,066	$ 5,891,270	$ -	$ 8,958,336	16.2%
Maintenance Reserve	Reserve for future maintenance and operations expenditures	$ 373,563	$ -	$ -	$ 373,563	2.0%
Administrative Expenses	Staffing and consulting costs to administer CFD	$ 750,932	$ -	$ -	$ 750,932	4.0%
Contingency	Unplanned expenditure	$ 136,972	$ -	$ -	$ 136,972	0.7%
Total		**$ 18,905,285**	**$ 5,891,270**	**$ 70,000**	**$ 24,866,555**	**100.0%**

RECOMMENDATION

OCII staff recommend approval of the FY 22-23 Budget for the Community Facilities Districts.

(Originated by Bree Mawhorter, Deputy Director of Finance and Administration)

DocuSigned by:

James B. Morales

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James B. Morales
Interim Executive Director