

## REPORT TO THE CITY COUNCIL

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**DATE:** October 15, 2019

**TITLE:** Resolution of Intention to Annex One Parcel (Annexation No. 37) Located East of Little Morongo Road and North of Dillon Road (APN 665-110-006) to the City of Desert Hot Springs Community Facilities District No. 2010-1 (Services)

**Prepared by:** Webb Municipal Finance, LLC, Tax Administration Consultant

**Reviewed by:** Geoffrey Buchheim, Acting Finance Director

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### **RECOMMENDATION**

**Adopt a Resolution of the City Council of the City of Desert Hot Springs declaring its intention to annex territory to Community Facilities District No. 2010-1 (Services) of the City of Desert Hot Springs, adopting a map of the area proposed to be annexed (Annexation No. 37), and to authorize the levy of special taxes therein.**

### **BACKGROUND:**

On July 6, 2010, the City Council approved Resolution No. 2010-037 establishing Community Facilities District No. 2010-1 (Services) of the City of Desert Hot Springs (the "CFD No. 2010-1" or "District") for the purpose of levying special taxes on parcels of taxable property for the purpose of providing certain services which are necessary to meet increased demands placed upon the City. These maintenance services, include but are not limited to, the operation, administration and maintenance required to keep the landscaping, lighting, and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space; maintenance and repair of playground or recreation program equipment or facilities situated on any park, and the maintenance and operation of storm drainage and flood protection facilities, and drainage inlets and retention basins.

The Special Taxes levied by the District will provide funding for services and incidental expenses in connection with said services. It was anticipated that additional property would annex into CFD No. 2010-1 in future years as development continues. These annexed properties will be subject to the same special tax formula in the Rates and Method of Apportionment of Special Tax ("RMA") as property that was included in the CFD No. 2010-1 at the time of its formation. As properties annex into CFD No. 2010-1, the City Council shall adopt annexation maps to reflect the inclusion of the Annexed Property.

### **DISCUSSION:**

The services as described above may be funded with proceeds of the special tax of CFD No. 2010-1, as provided by Section 53313 of the California Government Code. The existing and new developments of residential and non-residential properties do not provide sufficient revenues to provide landscape maintenance and lighting services. The City formed CFD No. 2010-1 (Services) to address this shortfall, and to provide certain services which are necessary to meet increased demands placed upon the City as a result of the development of said real property.

Special Tax rates are based on District costs, maintenance category, as well as land use category. These Special Tax rates are applied on a Benefit Unit ("BU") basis determined by the property's Land Use Category, which are one (1) BU per single-family residential unit, six tenths (0.6) BU per multi-family unit, five (5) BUs per acre for commercial and hotel property, and two (2) BUs per acre for industrial and religious property. To accommodate the unknown maintenance costs of future projects, properties are assigned Maintenance Categories with a

rate per BU for providing services to those parcels. There are 36 Maintenance Categories included in the Rates and Method of Apportionment. These 36 Maintenance Categories range from \$20.00 to \$5,000.00 per BU, which is determined by their Land Use Category. After a Maintenance Category has been assigned, the Special Tax levied adjusts annually by the greater of the Consumer Price Index or two and one half percent at the beginning of each following fiscal year. The City can levy less than the maximum annual special tax if the full amount is not needed, but never more. Maintenance Category assignments can be seen in Exhibit C of the attached CFD No. 2010-1 Resolution. The proposed annexation to the District consists of approximately 16 acres.

This thirty-seventh annexation to the District will increase CFD No. 2010-1 by one parcel, 16 non-residential acres.

Subject to the approval of the City Council tonight, a public hearing on the annexation will be scheduled for Tuesday, November 19, 2019. This is a landowner election since there are fewer than 12 registered voters within the annexation area. Pursuant to waiver of election time limits from the landowner, a ballot will be mailed in advance of the public hearing. At the closing of the public hearing, an election of the qualified electors (landowners in the District) will be held to determine if the electors approve the annexation to the District and the levy of the special tax.

#### **FISCAL IMPACT:**

Currently, existing and new development generates insufficient General Fund revenues to pay for the General Fund expenses of serving the area. The District provides the City additional funding for a portion of landscape maintenance, lighting, and drainage basin service costs (i.e. landscaping, lighting, and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space). A portion of the operations funding will be derived from alternative funding sources including other special districts and the City's General Fund.

All costs associated with the annexation to CFD No. 2010-1 are to be paid for by the property owners/developers who are participating in the annexation to CFD No. 2010-1 through an application fee of \$5,000. The costs associated with this annexation to CFD No. 2010-1 is paid by the property owner. The property owner is responsible for all costs and payment of associated levy amounts applied to the annual tax roll for maintenance services.

#### **EXHIBITS**

- 1) Resolution of Intention
  - A. Description of Territory
  - B. Annexation Boundary Map
  - C. Rates and Method of Apportionment
  - D. Notice of Public Hearing
  - E. Ballot
  - F. Signed Petition, Waiver and Consent
- 2) Council Properties Map