



**Board of Directors
November 20, 2019**

SUBJECT:

Third Quarter Report on Activities Related to Program Management of Community Facilities Districts and Assessment Districts

BACKGROUND:

In the third quarter of Calendar Year 2019, Eastern Municipal Water District (EMWD) was responsible for activities related to seven Assessment Districts (ADs), and 58 Community Facilities Districts (CFDs), which include 103 separate financing areas; i.e., Improvement Areas (IAs) or Tax Zones, as detailed in the Quarterly CFD Program Management Report (Exhibit A) and Quarterly Status Report (Exhibit C).

CFD Formation:

The formation of CFD No. 2017-79 (Eagle Crest) is in progress. The name of this CFD has been changed from French Valley South to Eagle Crest. The Resolution of Intention (ROI) is scheduled for the November 20, 2019 Board Meeting. The formation of CFD No. 2018-81 (Cimarron Ridge) is also in progress; the ROI is not yet scheduled. This CFD is located in Menifee. The EMWD Program Management team (the team) continues to evaluate the applications to form CFD No. 2019-83 (Winchester Ridge), CFD No. 2019-85 (Winchester Meadows), CFD No. 2019-86 (Benton), and CFD No. 2019-87 (Copper Skye). The team is waiting for additional information from the developers regarding these projects before the Resolutions of Intention are scheduled for consideration by the Board. Recent and upcoming CFD activity is listed in the Action Item Summary (Exhibit B). The location of each current active item pertaining to EMWD CFDs is illustrated on the attached location maps (Exhibit F).

Bond Sales:

In the third quarter, the District commenced proceedings for bond sales within CFD No. 2002-07 IA C (Pacific Mayfield) and CFD No. 2014-66 (Meadow Creek). Both items were approved by the Board on October 16, 2019. CFD No. 2014-66 is expected to close on November 14, 2019, and CFD No. 2002-07 IA C is expected to close on November 21, 2019. The team is also currently evaluating Lennar Homes' request for a new money issuance for CFD No. 2013-63 IA A (Belle Terre).

Change Proceedings:

The team continues to evaluate petitions received from developers for change proceedings within CFD No. 2006-51 (Nuevo Meadows) and CFD No. 2013-63 IAs B, C, and D (Belle Terre).

For CFD No. 2006-51 (Nuevo Meadows), the landowner has requested to amend the Rate and Method of Apportionment (RMA) to increase the Special Tax rates, extend the term of the tax, and enter into a Joint Agreement with Nuviev Union School District. For CFD No. 2013-63, the request is to amend the Special Tax rates and the boundary map. In addition, the team continues to review a preliminary change proceeding request to amend the RMA for CFD No. 2013-62 (Eucalyptus Grove/McLaughlin South). All requested change proceedings will comply with the Special Funding Land Secured Guidelines as incorporated in the District's Comprehensive Debt Policy.

Joint Community Facilities Agreements:

A proposed JCFA with City of Menifee CFD No. 2019-1 was in progress during the third quarter. The District reviews each JCFA against the Land Secured Guidelines to ensure it is within the two percent effective tax rate at formation. Additionally, each agency forming a JCFA with EMWD must covenant that they will not place EMWD's name on the property tax bills referencing a CFD where EMWD is not the lead agency.

Administration and Consulting:

The detailed quarterly call log (Exhibit D) includes 31 calls received within the third quarter. Callers requested information including: the maturity date of the CFD, the balance of the tax assessment, the purpose of the charge, the back-up tax amount, and prepayment calculations. Several callers also wanted to follow up on delinquency reminder letters mailed in July.

The Delinquency Summary Report (Exhibit E), dated as of July 30, 2019, reflects an overall delinquency percentage of 0.92 percent, a decrease of 0.18 percent from last quarter. Although the overall delinquency rate is trending down, Assessment Districts 5, 7, and 8 have delinquency rates that remain above five percent. The team sent delinquency letters to these property owners in an attempt to reduce the overall delinquency rate in these districts. Additional payments have since been received, and the delinquency rates have dropped 0.31 percent, 0.23 percent, and 7.35 percent respectively. The Program Management team will continue to monitor the delinquency rates in these Assessment Districts.

During the third quarter, the team completed the calculation and submittal of the annual AD assessments and CFD Special Tax enrollments for Fiscal Year 2019-20. Over 20,000 parcels were levied for a total of \$19.97 million. Three CFDs, No. 2004-35 IA D, No. 2016-74 IA C, and No. 2016-76, are included in the levy for the first time. In addition, the EMWD Program Management team reviewed and analyzed surplus funds, and was able to apply sustainable surplus to various CFD special tax requirements. This resulted in a reduction to the amount collected from property owners while also ensuring that sufficient amounts were levied to meet all debt service and administrative requirements.

The team has also begun preparation for the required annual SB 165, AB 2109, SB 1029, and CDIAC reports to submit by the appropriate deadlines. These reports include information

regarding each CFD's revenues, expenses, improvement fund balances, bond proceed expenditures, use of proceeds, and project status.

FINANCIAL IMPACT:

None

STRATEGIC PLANNING GOAL/OBJECTIVE:

Financial Stability: Enhance and maintain EMWD's strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.


ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Receive and file

SUBMITTED BY:



Paul D. Jones II, P.E., General Manager

10/24/2019



Laura Nomura, Deputy General Manager

10/23/2019

Attachment(s):

Exhibit A - Quarterly Report 2019 Q3

Exhibit B - EMWD CFD Admin Committee Action Item Summary

Exhibit C - Quarterly Admin Committee AD-CFD Status Report October 2019

Exhibit D - Third Quarter Call Log

Exhibit E - EMWD FY 18-19 Delinquency Summary 7-30-19

Exhibit F - Location Maps

History:

11/07/19 Board Administrative Committee RECOMMENDED FOR APPROVAL

11/20/19 Board Meeting

Staff Contact: Thomas Hays