

**CAPISTRANO UNIFIED SCHOOL
DISTRICT
COMMUNITY FACILITIES DISTRICT
No. 98-1A
(PACIFICA SAN JUAN)**

August 5, 2013

***Public Finance
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**ADMINISTRATION REPORT
FISCAL YEAR 2013-2014**

**CAPISTRANO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT No. 98-1A**

Prepared for

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Introduction

This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 98-1A ("CFD No. 98-1A") of the Capistrano Unified School District (the "School District").

CFD No. 98-1A is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982 (the "Act"), as amended. The Act provides an alternative method for the financing of certain public capital facilities and services. Specifically, CFD No. 98-1A is authorized to issue up to \$45,000,000. In calculating the Annual Special Tax levy for Fiscal Year 2013-2014, the Report describes (i) the financial obligation of Fiscal Year 2013-2014 and (ii) the amount of new development which has occurred within the boundaries of the CFD.

A map showing the property in CFD No. 98-1A is included in Exhibit A.

This report is organized into the following sections:

Section I

Section I provides (i) a description of the Special Tax classifications and (ii) an update of the development activity occurring within CFD No. 98-1A.

Section II

Section II analyzes the fiscal year 2012-2013 special tax levy.

Section III

Section III determines the financial obligations of CFD No. 98-1A for fiscal year 2013-2014.

Section IV

Section IV reviews the methodology used to apportion the special tax requirement between Developed Property and Undeveloped Property. A table of the 2013-2014 special taxes for each classification of property is included.

I. Special Tax Classifications and Development Update

Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Amended and Restated Rate and Method of Apportionment of the Special Tax. The Amended and Restated Rate and Method of Apportionment defines five categories of taxable property, namely “Developed Property,” “Taxable Property Owner Association Property,” “Taxable Public Property,” “Taxable Religious Property,” and “Undeveloped Property.” The category of Developed Property is in turn divided into eight separate rate classifications which vary with land use (e.g., residential and non-residential) and dwelling unit type and size for residential development. A table of the Developed Property classifications is shown below.

Community Facilities District No. 98-1A Developed Property Classifications

| Class | Land Use | Square Footage |
|--------------|--------------------------|-----------------------|
| 1 | Residential Property | 4,300 s.f. or greater |
| 2 | Residential Property | 3,750 - 4,299 s.f. |
| 3 | Residential Property | 3,250 - 3,749 s.f. |
| 4 | Residential Property | 2,750 - 3,249 s.f. |
| 5 | Residential Property | 2,300 - 2,749 s.f. |
| 6 | Residential Property | 1,850 - 2,299 s.f. |
| 7 | Residential Property | Less than 1,850 s.f. |
| 8 | Non-Residential Property | Not Applicable |

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued as of January 1 will be classified as Developed Property in the following fiscal year. For example, all property in CFD No. 98-1A for which building permits were issued prior to January 1, 2013, will be classified as Developed Property in fiscal year 2013-2014. Hence, the development research discussed below focuses on the twelve month period ending January 1, 2013.

Development Update

CFD No. 98-1A encompasses approximately 222 gross acres of land located in the City of San Juan Capistrano. At buildout, CFD No. 98-1A is anticipated to include 416 residential units.

Background research was conducted to determine the amount and type of development activity that occurred during the previous fiscal year. Review of the City of San Juan Capistrano's building permit records indicated that prior to January 1, 2013, building permits for 97 residential units had been issued within CFD No. 98-1A. A total of 66.52 gross acres in the district are considered Undeveloped Property.

The table below lists the aggregate amount of Developed Property by special tax classification.

**Community Facilities District No. 98-1A
Cumulative Developed Property**

| Class | Land Use | Square Footage | Number of Units/Acres |
|--------------|--------------------------|-----------------------|----------------------------------|
| 1 | Residential Property | 4,300 s.f. or greater | 0 Units |
| 2 | Residential Property | 3,750 - 4,299 s.f. | 8 Units |
| 3 | Residential Property | 3,250 - 3,749 s.f. | 35 Units |
| 4 | Residential Property | 2,750 - 3,249 s.f. | 48 Units |
| 5 | Residential Property | 2,300 - 2,749 s.f. | 6 Units |
| 6 | Residential Property | 1,850 - 2,299 s.f. | 0 Units |
| 7 | Residential Property | Less than 1,850 s.f. | 0 Units |
| 8 | Non-Residential Property | Not Applicable | 0.00 Acres |

II. Fiscal Year 2012-2013 Special Tax Levy

The special tax levy for CFD No. 98-1A for fiscal year 2012-2013 equaled \$424,716. As of July 25, 2013, \$417,615 in special taxes had been collected by the County. The remaining \$7,101 in special taxes are delinquent, resulting in a delinquency rate of 1.67 percent.

As a participant in the Teeter Program, the School District will receive an apportionment from the County equal to the delinquent unpaid special taxes for fiscal year 2012-2013. This apportionment is anticipated to occur early in fiscal year 2013-2014.

III. Fiscal Year 2013-2014 Special Tax Requirement

Since bonds have not yet been issued for CFD No. 98-1A, the Assigned Special Tax is levied on Developed Property to pay for the direct construction funding for facilities eligible to be financed by CFD No. 98-1A and annual administrative expenses as provided for by the Amended and Restated Rate and Method of Apportionment for CFD No. 98-1A. For fiscal year 2013-2014, the School District has decided to limit the special tax levy on Developed Property to 57.73% of the Assigned Special Tax.

The total fiscal year 2013-2014 special tax requirement is equal to \$468,201. Of this amount, \$430,701 is budgeted for the direct construction of eligible facilities and \$37,500 is budgeted for annual administrative expenses.

IV. Method of Apportionment

Maximum Special Taxes

The amount of special taxes that CFD No. 98-1A may levy is strictly limited by the maximum special taxes set forth in the Amended and Restated Rate and Method of Apportionment. The initial assigned special taxes for each classification of Developed Property are specified in Table 1 of Section C of the Amended and Restated Rate and Method of Apportionment¹. These special taxes escalate by two percent each fiscal year.

Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section D of the Amended and Restated Rate and Method of Apportionment. Section D apportions the special tax requirement in four steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Developed Property at up to 100 percent of the assigned special tax. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against all parcels of Undeveloped Property at up to 100 percent of the applicable maximum special tax per acre.

The third and fourth steps are designed to accommodate changes in land use and are intended to be used only as a last resort. Since actual land uses have not substantially deviated from the original projections, these steps are not necessary.

Application of the maximum special taxes under the first step generates special tax revenues of \$811,035 from Developed Property. As stated earlier, since bonds have not been issued, the School District has decided to limit the fiscal year 2013-2014 special tax levy to approximately 57.73 percent of the maximum special tax.

The fiscal year 2013-2014 special taxes for each classification of Developed Property are shown graphically on the following page and in Exhibit B. The Special Tax Roll which lists the actual special tax levied against each parcel of Developed Property is shown in Exhibit C.

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¹ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Backup Special Tax" or (ii) the Assigned Special Tax. In this report, all discussion of maximum tax rates for Developed Property focuses on the Assigned Special Tax.

EXHIBIT A

***CFD No. 98-1A of the
Capistrano Unified School District***

Boundary Map

**Capistrano Unified School District
Community Facilities District No. 98-1A
(Pacifica San Juan)**



EXHIBIT B

***CFD No. 98-1A of the
Capistrano Unified School District***

***Special Taxes
Fiscal Year 2013-2014***

EXHIBIT B

Community Facilities District No. 98-1A Fiscal Year 2013-2014 Special Taxes

| Land Use Class | Land Use | Square Footage | FY 2013-2014 Maximum Special Tax | FY 2013-2014 Actual Special Tax |
|----------------|---------------------------------|-----------------------|-------------------------------------|------------------------------------|
| 1 | Residential Property | 4,300 s.f. or greater | \$10,013.68 per unit | \$0.00 per unit |
| 2 | Residential Property | 3,750 - 4,299 s.f. | \$9,467.52 per unit | \$5,465.49 per unit |
| 3 | Residential Property | 3,250 - 3,749 s.f. | \$9,001.44 per unit | \$5,196.43 per unit |
| 4 | Residential Property | 2,750 - 3,249 s.f. | \$8,046.56 per unit | \$4,645.18 per unit |
| 5 | Residential Property | 2,300 - 2,749 s.f. | \$5,668.32 per unit | \$3,272.25 per unit |
| 6 | Residential Property | 1,850 - 2,299 s.f. | \$5,136.51 per unit | \$0.00 per unit |
| 7 | Residential Property | Less than 1,850 s.f. | \$4,674.01 per unit | \$0.00 per unit |
| 8 | Non-Residential Property | Not Applicable | \$0.4528 per square foot | \$0.0000 per square foot |
| NA | Undeveloped Property (per acre) | Not Applicable | \$45,343.01 per acre | \$0.00 per acre |

EXHIBIT C

***CFD No. 98-1A of the
Capistrano Unified School District***

***Special Tax Roll
Fiscal Year 2013-2014***

Exhibit C

CFD No. 98-1A of the Capistrano Unified School District

| <u>Assessor's Parcel Number</u> | <u>FY 2013-2014 Special Tax</u> |
|--|--|
| 675-085-40 | \$5,465.49 |
| 675-085-42 | \$5,196.43 |
| 675-085-43 | \$4,645.18 |
| 675-085-44 | \$4,645.18 |
| 675-411-01 | \$5,196.43 |
| 675-411-02 | \$4,645.18 |
| 675-411-03 | \$5,196.43 |
| 675-411-04 | \$4,645.18 |
| 675-411-05 | \$5,196.43 |
| 675-411-06 | \$4,645.18 |
| 675-411-07 | \$4,645.18 |
| 675-411-08 | \$4,645.18 |
| 675-411-09 | \$4,645.18 |
| 675-411-10 | \$4,645.18 |
| 675-411-11 | \$4,645.18 |
| 675-411-12 | \$4,645.18 |
| 675-411-13 | \$4,645.18 |
| 675-411-14 | \$4,645.18 |
| 675-411-15 | \$4,645.18 |
| 675-411-16 | \$4,645.18 |
| 675-411-17 | \$4,645.18 |
| 675-411-18 | \$5,196.43 |
| 675-411-19 | \$5,196.43 |
| 675-411-20 | \$4,645.18 |
| 675-411-21 | \$5,196.43 |
| 675-411-22 | \$4,645.18 |
| 675-411-23 | \$4,645.18 |
| 675-411-24 | \$5,196.43 |
| 675-411-25 | \$5,196.43 |
| 675-411-26 | \$4,645.18 |
| 675-411-27 | \$4,645.18 |
| 675-411-28 | \$5,196.43 |
| 675-411-29 | \$4,645.18 |
| 675-411-30 | \$5,196.43 |
| 675-411-31 | \$4,645.18 |
| 675-411-32 | \$5,196.43 |
| 675-411-33 | \$5,196.43 |
| 675-411-34 | \$4,645.18 |
| 675-411-35 | \$4,645.18 |
| 675-411-36 | \$5,196.43 |
| 675-411-37 | \$5,196.43 |
| 675-411-38 | \$5,196.43 |
| 675-411-39 | \$4,645.18 |

Exhibit C

CFD No. 98-1A of the Capistrano Unified School District

| <u>Assessor's Parcel Number</u> | <u>FY 2013-2014 Special Tax</u> |
|--|--|
| 675-411-40 | \$5,196.43 |
| 675-411-41 | \$5,196.43 |
| 675-411-42 | \$4,645.18 |
| 675-411-43 | \$4,645.18 |
| 675-411-44 | \$5,196.43 |
| 675-411-45 | \$5,196.43 |
| 675-411-46 | \$4,645.18 |
| 675-411-47 | \$5,196.43 |
| 675-411-48 | \$4,645.18 |
| 675-411-49 | \$5,196.43 |
| 675-411-50 | \$5,196.43 |
| 675-411-51 | \$4,645.18 |
| 675-411-52 | \$4,645.18 |
| 675-411-53 | \$4,645.18 |
| 675-411-54 | \$5,196.43 |
| 675-411-55 | \$4,645.18 |
| 675-411-56 | \$4,645.18 |
| 675-411-57 | \$5,196.43 |
| 675-411-58 | \$5,196.43 |
| 675-411-59 | \$4,645.18 |
| 675-411-60 | \$4,645.18 |
| 675-411-61 | \$4,645.18 |
| 675-411-62 | \$4,645.18 |
| 675-411-63 | \$4,645.18 |
| 675-411-64 | \$4,645.18 |
| 675-411-65 | \$4,645.18 |
| 675-411-66 | \$4,645.18 |
| 675-411-67 | \$4,645.18 |
| 675-411-68 | \$4,645.18 |
| 675-411-69 | \$5,196.43 |
| 675-411-70 | \$5,196.43 |
| 675-421-01 | \$5,465.49 |
| 675-421-02 | \$5,196.43 |
| 675-421-03 | \$5,465.49 |
| 675-421-04 | \$3,272.25 |
| 675-421-05 | \$5,196.43 |
| 675-421-06 | \$5,465.49 |
| 675-431-01 | \$5,465.49 |
| 675-431-02 | \$5,196.43 |
| 675-431-03 | \$3,272.25 |
| 675-431-04 | \$5,196.43 |
| 675-431-05 | \$3,272.25 |
| 675-431-06 | \$4,645.18 |

Exhibit C

CFD No. 98-1A of the Capistrano Unified School District

| <u>Assessor's Parcel Number</u> | <u>FY 2013-2014 Special Tax</u> |
|--|--|
| 675-431-07 | \$4,645.18 |
| 675-431-08 | \$5,196.43 |
| 675-431-09 | \$3,272.25 |
| 675-431-10 | \$5,465.49 |
| 675-431-11 | \$3,272.25 |
| 675-431-12 | \$5,196.43 |
| 675-431-13 | \$5,465.49 |
| 675-431-14 | \$3,272.25 |
| 675-431-15 | \$4,645.18 |
| 675-431-16 | \$5,465.49 |
| 675-431-17 | \$5,196.43 |
| Total FY 2013-2014 Special Tax Levy | \$468,201.11 |
| Total Number of Parcels Taxed | 97 |