



DATE: December 17, 2008

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **ANNUAL REPORT FOR CITY OF OCEANSIDE COMMUNITY FACILITIES DISTRICT NUMBERS 2000-1 (OCEAN RANCH CORPORATE CENTRE), 2001-1 (MORRO HILLS DEVELOPMENT), 2001-2 (TRENDWEST RESORTS) AND 2006-1 (PACIFIC COAST BUSINESS PARK) PURSUANT TO THE LOCAL AGENCY SPECIAL TAX AND BOND ACCOUNTABILITY ACT**

SYNOPSIS

This report is an annual requirement of the Local Agency Special Tax and Bond Accountability Act (the "Act"). As its purpose is informational in nature, no action by Council is required on the report.

BACKGROUND

The Act provides that any local special tax measure that is subject to voter approval on or after January 1, 2001, that would provide for the imposition of a special tax by a local agency shall require the chief fiscal officer of the levying local agency to file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. Pursuant to California government code section 50075.3, the annual report shall contain the amount of funds collected and expended and the status of any project required or authorized to be funded by voter-approved special taxes. The last report to Council was on March 5, 2008.

ANALYSIS

Currently, the City has four districts that fall under the Act. The following is a narrative summary of the progress of those four districts:

1. City of Oceanside Community Facilities District No. 2000-1 (Ocean Ranch Corporate Centre)

On May 15, 2001, the landowners within Community Facilities District No. 2000-1 (Ocean Ranch Corporate Centre) voted to incur debt and issue bonds in the maximum amount of \$25,000,000, and for the levying of a special tax to finance infrastructure improvements in the 325-acre business park.

2. City of Oceanside Community Facilities District No. 2001-1 (Morro Hills Development)

On February 6, 2002, the landowners within Community Facilities District No. 2001-1 (Morro Hills Development) voted to incur debt and issue bonds in the maximum amount of \$26,000,000, and for the levying of a special tax to finance public infrastructure improvements in the master planned residential community of Morro Hills. Landowners also voted on February 6, 2002, to incur debt and issue bonds in the maximum amount of \$11,000,000, and for the levying of a special tax to finance an elementary school within Improvement Area No. 1 of Community Facilities District No. 2001.

On October 9, 2002, the Council approved a bond issue for Community Facilities District No. 2001-1 (Morro Hills Development) in an amount not to exceed \$10,000,000. On November 14, 2002, the Morro Hills CFD issued bonds in the amount of \$9,915,000. The Series A Bonds of 2002 were issued to finance the construction of a neighborhood park, various street improvements, flood control improvements, and various water and sewer capacity improvements required for the development of the property in the district.

On December 17, 2003, the Council approved a bond issue for Improvement Area No. 1 in an amount not to exceed \$11,000,000. The Special Tax bonds Series A of 2004 were issued February 5, 2004, in the amount of \$11,000,000 to finance the school facility and related improvements.

On October 6, 2004, the Council approved the issuance of the Special Tax Bonds Series A of 2004, which were issued December 22, 2004, in the amount of \$16,085,000 to finance various public improvements needed to complete the infrastructure in order to develop the property located within the District.

The following public infrastructure components for the District were completed as of September 2007: public park, major thoroughfare improvements, water line relocation and installation, flood control detention basin improvements and utilities undergrounding. Related water and sewer capacity improvements have been completed for five of the 11 residential villages. The balance in the Project Account for the CFD was \$3,203,928 as of June 30, 2008, earmarked for water and sewer capacity improvements in the remaining undeveloped villages. Three of the remaining five villages are currently under construction with two villages remaining that have yet to begin construction. The school and related infrastructure associated with Improvement Area No. 1 was completed in August 2005, with the school opening September 2005.

Special taxes for the Morro Hills CFD were levied in the amount of \$1,861,498 for fiscal year 2007/08 and \$800,434 for the same time period for Improvement Area No. 1. The special taxes for 2007/08 had a collection rate of 93 percent and a collection rate of 47 percent on prior year delinquent special taxes for both the District and Improvement Area No. 1. The Morro Hills CFD is being closely monitored to ensure that tax collection rates remain within the acceptable range as to not trigger foreclosure covenants and there is not a need to draw on the letters of credit or bond reserves to make debt service payments. Special taxes for the District for the current fiscal year

were levied in the amount of \$1,890,085 for Morro Hills CFD and \$804,038 for Morro Hills Improvement Area No 1.

In addition to the levied special taxes, there were prepayments of special taxes on 19 parcels in both the Morro Hills CFD Districts in fiscal year 2007/08 in the amount of \$690,316. Through October 31, 2008, of the current fiscal year, there have been prepayments in the amount of \$281,797 on seven parcels in the Districts.

The following table furnishes financial information for fiscal year 2007/08 and the current fiscal year through October 31, 2008:

	FYE JUNE 08	FYE JUNE 09 (As of 10/31/08)
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Revenues:		
Special Taxes	\$3,182,600	\$336,741
Investment Earnings	299,710	31,305
Total	<u>3,482,309</u>	<u>368,046</u>
Expenses:		
Consultant Fees	38,116	6,622
Debt Service	2,754,718	2,083,850
Fiscal Agent Fees	15,649	-
Capital Outlays	4,360,769	-
Total	<u>7,169,252</u>	<u>2,090,472</u>
Operating Income	(3,686,943)	(1,722,426)
Beginning Balance	11,884,233	8,197,290
Fund Balance	\$8,197,290	\$6,474,864

3. City of Oceanside Community Facilities District No. 2001-2 (Trendwest Resorts)

On June 19, 2002, the Trendwest CFD issued private placement bonds in the amount of \$1,500,000. The bonds were issued to finance the construction of a parking lot, various street improvements including a traffic signal, and the relocation of a waterline required for the development of the property in the district. The development of the property includes a 140-unit timeshare resort. The infrastructure was complete prior to the issuance of bonds therefore activity in this District consists only of debt service payments.

The District entered into an owner participation agreement with the Community Development Commission of the City of Oceanside which allows for the collection of Transient Occupancy Tax (TOT) at the resort. The TOT collected is used to reimburse the special tax payments and prepay bonds if any excess TOT is collected. The agreement is in force until the bonds are paid in full.

The fiscal year 2007/08 special tax levy totaled \$117,250. The levy was collected in full. Excess TOT collected during 2006/07 and accounting corrections resulted in redemption of bonds in the amount of \$200,000 on September 1, 2007, reducing the outstanding principal to \$545,000 as of June 30, 2008. The special tax levy for the current fiscal year is \$90,250. Bonds in the amount of \$45,000 were redeemed on September 1, 2008 due to excess TOT collected in 2007/08 and a reconciliation of the fund since issuance of bonds. Outstanding bond principal as of October 31, 2008, is \$460,000.

The following table furnishes financial information for fiscal year 2007/08 and the current fiscal year through October 31, 2008:

	FYE JUNE 08	FYE JUNE 09 (As of 10/31/08)
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Revenues:		
Special Taxes	\$117,250	-
Transient Occupancy Tax	67,580	70,688
Investment Earnings	13,687	3,070
Total	<u>198,517</u>	<u>73,758</u>
Expenses:		
Fiscal Agent Fees	2,703	2,703
Consultant Fees	2,579	-
Special Tax Reimbursement	97,250	-
Debt Service	293,750	98,625
Total	<u>396,282</u>	<u>101,328</u>
Operating Income	(197,766)	(27,570)
Beginning Balance	436,778	305,902
Prior Period Adjustments	66,889	197,332
Fund Balance	\$305,902	\$475,664

FISCAL IMPACT

None.

COMMISSION OR COMMITTEE REPORT

Does not apply.

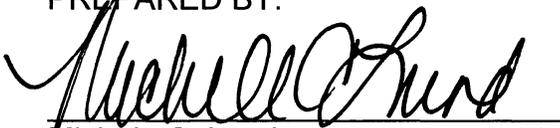
CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Information only, no action required.

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