

**TEMECULA PUBLIC FINANCING AUTHORITY
AGENDA REPORT**

TO: Executive Director/Board of Directors

FROM: Aaron Adams, Executive Director

DATE: February 27, 2024

SUBJECT: Adopt Resolutions to Form Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado)

PREPARED BY: Jennifer Hennessy, Director of Finance/Treasurer

RECOMMENDATION: That the Board of Directors take the following actions:

1. That the Board of Directors of the Temecula Public Financing Authority (the “Board”) hold a public hearing regarding the formation of the proposed Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “CFD”), the levy of special taxes in the CFD, and the issuance of bonds by the Temecula Public Financing Authority (the “Authority”) for the CFD, and adopt the following resolutions entitled:

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY OF FORMATION OF TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO), AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN THE DISTRICT, AND PRELIMINARILY ESTABLISHING AN APPROPRIATIONS LIMIT FOR THE DISTRICT

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS OF THE TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE

TEMECULA PUBLIC FINANCING AUTHORITY CALLING
SPECIAL ELECTION WITHIN COMMUNITY FACILITIES
DISTRICT NO. 23-02 (PRADO)

2. That the Board hold an election regarding the CFD, and adopt the resolution entitled:

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
TEMECULA PUBLIC FINANCING AUTHORITY DECLARING
RESULTS OF SPECIAL ELECTION AND DIRECTING
RECORDING OF NOTICE OF SPECIAL TAX LIEN –
COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

3. That the Board have the first reading of the ordinance entitled:

ORDINANCE NO. TPFA

AN ORDINANCE OF THE TEMECULA PUBLIC FINANCING
AUTHORITY LEVYING SPECIAL TAXES WITHIN
TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

BACKGROUND: In December of last year, in response to a request by Meritage Homes of California, Inc., a California corporation (the “Developer”), the Temecula Public Financing Authority (the “Authority”) adopted Resolution No. TPFA 2023-12 (the “Authority Resolution”) and the City Council adopted Resolution No. 2023-93, pursuant to which they approved a Deposit/Reimbursement Agreement, subsequently executed by the Authority, the City and the Developer, whereby the Developer agreed to pay the costs of the Authority and the City in connection with the formation of a community facilities district. The Authority Resolution also designated various consultants to assist with the formation of the community facilities district.

The Authority has now received a petition (including waivers) (the “Petition”) from the Developer requesting that it move forward with the formation of the community facilities district for the purpose of financing public facilities, to fund the costs of municipal services, and to prepay special taxes being levied for an existing Authority community facilities district on property in the proposed CFD in connection with the planned Prado development project. The community facilities district is to be designated as the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “CFD”).

The CFD is generally located in the northerly portion of the City of Temecula, east of Interstate 15. The territory to be included within the boundaries of the CFD includes several County Assessor’s parcels identified in the Petition, totaling 28.71 acres.

On January 23, 2024, the Board adopted two resolutions related to the formation of the new CFD and set the date for a public hearing regarding the new CFD for February 27, 2024. On January

23, 2024, the City Council adopted a resolution approving a Joint Community Facilities Agreement with the Authority whereby the City agrees to own and operate certain facilities financed by the CFD, to provide the municipal services to be provided for by the CFD and to assist the Authority administer an Acquisition Agreement with the Developer pursuant to which the Developer will construct public improvements authorized to be funded by the CFD.

The CFD will only include land currently owned by the Developer as delineated in the Petition. In the Petition, the Developer has requested that the CFD levy special taxes and issue bonds to provide funds to fund various public improvements identified in the Petition and to finance other costs of issuing the special tax bonds and of providing a reserve fund for the bonds. It is also expected that special taxes will be levied to fund the costs of certain municipal services identified in the Petition.

The Authority proposes to use bond proceeds to finance the design, construction and installation of certain public improvements, including related incidental expenses, all as specified in the Resolution of Intention to Establish the CFD adopted by the Board on January 23, 2024. That Resolution authorized the Executive Director of the Authority to enter into Joint Community Facilities Agreements with the Eastern Municipal Water District (EMWD) and the Temecula Valley Unified School District (TVUSD), pursuant to which the Authority will use the CFD bond proceeds to finance improvements to be designated by EMWD and TVUSD, which entities will then relieve the Developer of certain otherwise applicable fee obligations related to the construction of homes in the CFD. The facilities authorized to be funded by the CFD, when complete, will become the property of and will be maintained by the City, EMWD, and TVUSD, as appropriate.

SPECIFIC ACTIONS: It is recommended that the Board receive and file a CFD Report prepared by the City's Public Works Director at the direction of the Authority and conduct a public hearing regarding (a) the establishment of the new CFD, (b) the levy of special taxes on property in the CFD, (c) the necessity to incur bonded indebtedness for the CFD, and (d) the establishment of an appropriation limit for the new CFD.

If, following the public hearing, no protest has been filed by the Developer pertaining to the establishment of the CFD or the levy of special taxes within the new CFD, the Board will consider the adoption of the following resolutions:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY OF FORMATION OF TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO), AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN THE DISTRICT, AND PRELIMINARILY ESTABLISHING AN APPROPRIATIONS LIMIT FOR THE DISTRICT

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS OF THE TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY CALLING SPECIAL ELECTION WITHIN COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

Following the adoption of the above resolutions, the City Clerk will open the ballot cast by the Developer, as the sole owner of the property in the CFD in the special election called for the new CFD for the ballot questions regarding (a) the authorization to levy special taxes within the CFD, (b) the authorization to issue bonds secured by the levy of such special taxes and (c) the establishment of an appropriations limit for the CFD.

If the results of the special election reveal that the propositions have received the affirmative vote of the Developer, the Authority is then requested to take the following actions.

Adopt the following resolution:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DECLARING RESULTS OF SPECIAL ELECTION AND DIRECTING RECORDING OF NOTICE OF SPECIAL TAX LIEN – COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

Hold the first reading of the following ordinance:

AN ORDINANCE OF THE TEMECULA PUBLIC FINANCING AUTHORITY LEVYING SPECIAL TAXES WITHIN TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

FISCAL IMPACT: The Developer has agreed to pay all expenses incurred relative to the proposed formation of the new CFD and the issuance of bonds for the CFD. Costs of issuance of the proposed bond issue will be paid from the proceeds of the bonds expected to be issued by the Authority for the CFD in the future and bond proceeds may be used to reimburse the Developer for funds advanced by it in connection with the formation of the CFD and the bonds. All annual costs of administering the new CFD and the bonds issued for the CFD will be paid from a portion of the special taxes levied on the properties in the CFD. The bonds, if and when issued by the Authority for the new CFD, would be payable from special taxes levied on land in the new CFD and collected by the Authority. All costs of the City and the Authority to administer the Acquisition Agreement and the Joint Community Facilities Agreement will be paid for with proceeds of a portion of the special taxes levied on property of the CFD.

ATTACHMENTS:

1. TPFA Resolution – Formation of CFD
2. TPFA Resolution – Incur Bonded Indebtedness
3. TPFA Resolution – Calling Special Election
4. TPFA Resolution – Declaring Special Election Results
5. TPFA Ordinance
6. CFD Report
7. Notice of Special Tax Lien