

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 14, 2006**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 14, 2006, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hansen, Johnson, Mounce, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Water Supply Project Financing"

City Manager King provided a brief introduction of the subject matter, stating the presentation is in response to the City Council's request to obtain information regarding how Lodi might pay for a water treatment plant or recharge facility.

City Engineer Wally Sandelin introduced Susan Goodwin of Goodwin Consulting Group, Inc.

Susan Goodwin provided an overview of financing options for a community facilities district (CFD). Topics discussed included what is CFD financing, financing mechanisms, Mello-Roos Act of 1982, land-secured financing district, CFDs in California, terminology, why choose CFD financing, flexibility, burden of proof with benefit finding, development paying its own way, CFD financing for a water treatment solution, number of projects within boundaries, annexation of other properties, bonds for lump sum funding, special taxes, assumptions and conclusions of initial analysis, and comparison of facilities special tax rates for surrounding cities. Specific information from the presentation is provided in the staff report and PowerPoint presentation (filed).

Mayor Hitchcock asked what is included in the comparisons with surrounding cities. Ms. Goodwin stated some CFDs are single funding sources such as schools, but others are the backbone for infrastructure including water, sewer, and roads.

Mayor Hitchcock inquired about funding for police and fire. Ms. Goodwin stated the comparisons do not include services such as police and fire, which are often provided for in an overlapping CFD. Mayor Hitchcock inquired about the rates related to the same. Ms. Goodwin stated the average rate is \$400, but it can vary between \$200 and \$700.

Council Member Beckman asked if the area selection is left to the Council. City Manager King stated yes. Council Member Beckman inquired about the 2/3 requirements. City Manager King stated the applicant may already be conditioned to participate based on the terms of the agreement, but may be able to opt out by paying cash.

Council Member Beckman asked if the developer gets to decide how the City uses the water. City Manager King stated the City Council decides how to use the water.

Discussion ensued between Council Member Beckman, City Manager King, and City Attorney Schwabauer regarding the \$6,000 acre fee, the amount of benefit on the project, and equity considerations in relation to current and future homeowners paying for services.

Council Member Hansen asked if a new homeowner can finance the special tax amount in the purchase price. Ms. Goodwin stated the special tax is factored in at the time of the purchase and shows on the tax bill.

Council Member Hansen inquired about the impact of a CFD on the affordability of homes. Ms. Goodwin stated home affordability, which is a statewide problem, is affected by the infrastructure, not the CFD.

Council Member Hansen inquired about the landscaping and lighting district and the one vote by the developer system. Ms. Goodwin stated it is one vote if the developer owns the property and the homeowner has an opportunity to vote in the sales office when the appropriate CFD disclosures are made.

Mayor Pro Tempore Johnson inquired about the \$600 fee per house and the development agreement. City Manager King stated the chart shows capital and that an additional piece may exist for services and stated the premise is that both old and new development is paying its proportionate share so that neither is a drain on the existing community. He also stated that the applicant can ask for assistance with paying for infrastructure.

Mayor Pro Tempore Johnson asked if enough cushion remains in the value to lien amount. Ms. Goodwin stated yes because it is based on the value increasing as development increases.

Mayor Pro Tempore Johnson inquired about timing. Public Works Director Prima stated it is probably a little over a year depending upon Council's direction.

Mayor Hitchcock inquired about other cities' experience with freezing the commercial rate at \$3,000. Ms. Goodwin stated the range varies and many developers prefer not to exceed \$2,200 to \$2,500 per year, which may also reduce the residential rates.

Discussion ensued between Council Member Hansen, Mayor Hitchcock, City Manager King, and Ms. Goodwin regarding the downside of a CFD to attract new retail and office business to Lodi.

Mayor Hitchcock inquired about the range for commercial rates. Ms. Goodwin stated the range varies between \$3,000 and \$6,000.

PUBLIC COMMENTS:

- A resident inquired about how a CFD will tie in to existing development agreements for new projects. City Manager King stated development agreements state that the applicant will pay for water usage, but is silent as to what the exact usage is, and the applicants are aware that the solution is going to be financing one way or another. He stated what the financing piece entails will be determined after further direction from Council. Ms. Goodwin stated many CFDs are tied into development agreements.

Council Member Beckman suggested analyzing water usage by new development based on the previous information and formula provided by Public Works.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 7:59 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Water Supply Project Financing
MEETING DATE: November 14, 2006 (Shirtsleeve Session)
PREPARED BY: Public Works Director

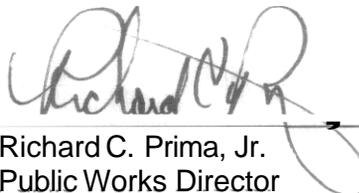
RECOMMENDED ACTION: Receive information regarding water supply project financing.

BACKGROUND INFORMATION: As part of the City's decision-making process on how to utilize our Woodbridge Irrigation District surface water supply, staff has suggested that the capital cost would be borne entirely by new development.

The City Council asked how that could be made to work; specifically, in a manner that would not put the existing ratepayers at risk. Staff has worked with Ms. Susan Goodwin, of Goodwin Consulting Group of Sacramento, who has extensive experience in this area to answer this question. Ms. Goodwin will present the results of a financial model, using a land-based community facilities district financing method.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.


Richard C. Prima, Jr.
Public Works Director

RCP/pmf

APPROVED: 
Blair King, City Manager

**Community Facilities District
Financing of a
Water Treatment Solution**

City of Lodi
City Council Shirtsleeve
November 14, 2006

What is Community Facilities District Financing?

- Financing mechanism for public infrastructure and services
- Mello-Roos Act of 1982 passed as a result of revenue limitations from Proposition 13
- Land-secured financing district
 - No impact on City's general fund
 - Foreclosure is ultimate remedy
- More than 300 CFDs in California have funded over \$20 billion in public infrastructure

Terminology

- Community Facilities District (CFD)
- Special tax not special assessment
- Two-thirds or super majority vote
- Rate and Method of Apportionment of Special Tax (RMA)
- Tax-exempt, land-secured bonds
- Value-to-lien ratio

Why CFD Financing?

- Incredible flexibility
 - CFD boundaries
 - Special tax allocation
 - Facilities/services to be funded
- Protects City from burden of proof associated with benefit finding
- Allows development to “pay its own way” using low interest rate financing and long amortization period

CFD Financing for a Water Treatment Solution in Lodi

- CFD boundaries could initially include one or more projects which are required to contribute
- Other benefiting properties can be annexed in at a future date
- Bonds issued to generate lump-sum funding
- Special taxes levied each year to repay bonded indebtedness

CFD Financing for a Water Treatment Solution in Lodi

- Assumptions in Initial Analysis:
 - Construction cost of \$25 million in 2006 \$
 - Bond issue in 2010 with 30-year term, 6% interest rate
 - Special tax escalates 2% per year
 - Two years prepaid interest
 - CFD includes Reynolds Ranch, Southwest Gateway, Westside, and 335 units in other new subdivisions

CFD Financing for a Water Treatment Solution in Lodi

- Conclusions of Initial Analysis:

- Maximum Special Tax Rates

- Low density unit = \$993/year

- Medium density unit = \$759/year

- High density unit = \$283/year

- Commercial/industrial acre = \$3,000/year

Comparison of Facilities Special Tax Rates

