

City of Merced
Community Facilities District No. 2003-2
Annexation No. 25

COMMUNITY FACILITIES DISTRICT REPORT

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INTRODUCTION

The City Council (the “Council”) of the City of Merced (the “City”) did, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”), on February 20, 2024, adopt a resolution entitled “Resolution of Intention of the City Council of the City of Merced, Acting as the Legislative Body of the City of Merced Community Facilities District No. 2003-2 (Services), Declaring Its Intention to Annex Area to Said District and Authorize the Levy of a Special Tax within Said Annexation” (the “Resolution of Intention for Annexation No. 25”). In the Resolution of Intention for Annexation No. 25, the Council expressly ordered the preparation of a written Community Facilities District Report (the “Report”) for the proposed Community Facilities District No. 2003-2 of the City of Merced (the “CFD”) Annexation No. 25.

The Resolution of Intention for Annexation No. 25 ordering the Report did direct that the Report generally contain the following:

1. A brief description of the additional public services by type which will be required to adequately meet the needs of Annexation No. 25; and
2. An estimate of the fair and reasonable cost of the services included therewith, as well as an estimate of the costs associated with annexation of property to the CFD and annual CFD administration.

For particulars, reference is made to the Resolution of Intention for Annexation No. 25, as previously approved and adopted by the Council.

NOW, THEREFORE, I, the City Administrator, do hereby submit the following data:

A. **DESCRIPTION OF SERVICES.** A general description of the services to be provided by the CFD within Annexation No. 25 is certain public services and maintenance, including but not limited to public safety services (e.g., police and fire protection), landscape, sidewalk, park, and parkway maintenance (including lighting), flood control services, and other services authorized pursuant to the Act and the City's Municipal Code, including costs of personnel and equipment replacement and maintenance. This description is general in nature. The actual nature and location of the services to be provided will be determined following construction of new development that requires the services and the facilities to be maintained by the services.

B. **PROPOSED BOUNDARIES OF ANNEXATION NO. 25.** The proposed boundaries of Annexation No. 25 are those properties and parcels in which special taxes may be levied to pay for the costs and expenses of the services. The proposed boundaries of Annexation No. 25 are described on the Maps of the CFD on file with the City Council, to which reference is hereby made. A reduced copy is shown as Exhibit A.

C. **COST ESTIMATE.** The cost estimate for the services for the CFD, of which proposed Annexation No. 25 would be a part, is approximately \$8,710,000 per year. Annual CFD administration costs are estimated to be \$80,000, for a total annual services and administration cost of \$8,790,000. Costs associated with annexation of the Annexation No. 25 area to the CFD are estimated to be \$60,000. These cost estimates are provided in more detail in Exhibit B.

D. **RATE AND METHOD OF APPORTIONMENT.** All of the property located within the boundaries of Annexation No. 25, unless exempted by law or by the Amended Rate and Method of Apportionment of Special Tax (the "RMA"), shall be taxed for the purpose of financing the services provided by the CFD, including but not limited to all costs of the special tax levy and services that may be provided by the City or any maintenance district formed by the City which benefit directly or indirectly the properties within Annexation No. 25. Pursuant to Section 53325.3 of the Act, the tax imposed "is a special tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property." The special tax "may be based on benefit received by parcels of real property, the cost of making facilities or authorized services available to each parcel or other reasonable basis as determined by the legislative body," although the special tax may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution.

When more than one type of land use is present within a community facilities district, several criteria may be considered when apportioning the special tax. Generally, criteria based on building square footage, lot size, density and/or land use are selected, and categories based on such criteria are established to differentiate between parcels of property. These categories are reflective of the proposed land use types within that community facilities district. Additionally, geographic location of property may be considered and different tax rate zones or improvement areas defined. Specific special tax levels are assigned to each land use classification within each improvement area, with all parcels within an improvement area and land use classification assigned the same special tax rate.

The adopted RMA provides information sufficient to allow each property owner within Annexation No. 25 to estimate the maximum annual special tax he or she will be required to pay.

The City will annually determine the actual amount of the special tax levy based on the method described in the RMA and subject to the Maximum Special Tax rates contained in the RMA. The Maximum Special Tax rates increase at the rate specified in the RMA. The City will levy a special tax to the extent necessary to meet the special tax requirement.

E. **OTHER GENERAL TERMS.** The descriptions of the public services, as set forth herein, are general in their nature. The actual scope, nature, location, and costs of services will be determined annually following the construction of new development that requires the services and the facilities to be maintained by the services. The actual services may show substitutes, in lieu or modifications to the proposed work in order to accomplish the services and any such substitution shall not be a change or modification in the proceedings as long as the maximum special tax rates are not modified.

Dated as of March 18, 2024

By: _____
City Administrator
City of Merced

EXHIBIT A

**BOUNDARY MAP AND IMPROVEMENT AREAS
CITY OF MERCED
COMMUNITY FACILITIES DISTRICT NO. 2003-2 (SERVICES)
ANNEXATION NO. 25**

EXHIBIT B

**ANNUAL COST OF SERVICES AND
CFD ANNEXATION COST ESTIMATE
CITY OF MERCED
COMMUNITY FACILITIES DISTRICT NO. 2003-2 (SERVICES)
ANNEXATION NO. 25**

City of Merced
Community Facilities District No. 2003-2
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Community Facilities District Report
Impacts Based on Fiscal Year 2005-06

Annual Cost of Services Estimate *

	Units of Growth	Fiscal Impacts per Unit of Growth	Project- Specific Impacts per Unit of Growth	Total Impacts per Unit of Growth	Total Annual Impacts
Residential	<u>DUs</u>				
Single Family	7,539	-\$433	-\$373	-\$806	-\$6,070,000
Multi-Family	5,026	-\$408	-\$256	-\$664	-\$3,340,000
Non-Residential	<u>1,000 sf</u>				
Retail	677	\$1,937	-\$167	\$1,770	\$1,200,000
Office	604	-\$200	-\$160	-\$360	-\$220,000
Industrial	2,503	-\$14	-\$99	-\$113	-\$280,000
Subtotal					-\$8,710,000
Annual CFD Administration					-\$80,000
Total Annual Costs					-\$8,790,000

* These costs are estimated based on build out of new development areas; actual costs may vary.
Costs are presented in FY 2005-06 dollars consistent with the special tax rates in the RMA.

CFD Annexation Cost Estimate *

Special Counsel	-\$15,000
Special Tax Consultant	-\$10,000
City Staff Time and Costs	-\$35,000
Total	-\$60,000

* These costs are estimated; actual costs may vary. The costs are current (2024).