

Annual Tax Report

Fiscal Year 2022–23
City of Novato
Community Facilities District
No. 2002–1 (Pointe Marin)

The Economics of Land Use



Prepared for:

City of Novato

Prepared by:

Economic & Planning Systems, Inc. (EPS)

*Economic & Planning Systems, Inc.
455 Capitol Mall, Suite 701
Sacramento, CA 95814
916 649 8010 tel
916 649 2070 fax*

*Oakland
Sacramento
Denver
Los Angeles*

www.epsys.com

EPS #222033

June 2022

Table of Contents

1.	Introduction.....	1
	Background.....	1
	Organization of the Report	1
2.	Tax Categories and Special Tax Revenue.....	3
	Background.....	3
	Tax Categories	3
	Special Tax Revenue	3
3.	Calculation of FY 2022-23 Special Tax Levy	5
	Compute the Annual Costs of the CFD.....	5
	Compute the Maximum Tax Rates for FY 2022-23	7
	Amount of Special Taxes to Be Levied in FY 2022-23	7

List of Map and Tables

Map 1	CFD Boundary Map.....	2
Table 1	Estimated Maximum Annual Special Tax Revenue— Comparison of FY 2021-22 and FY 2022-23	4
Table 2	Estimated Annual Costs for FY 2022-23	6
Table 3	Special Tax Levy—FY 2022-23	8

1. Introduction

Background

In May 2002, the City of Novato (City)'s City Council authorized the formation of Community Facilities District No. 2002-1 (Pointe Marin) (CFD) to fund the construction of storm drain system improvements, public street improvements, and landscaping improvements that will contribute to development of residential land uses in an area of the City known as Pointe Marin. A total of 344 single-family residential units were expected to be developed in the CFD. When the last of the final maps for the project were recorded, there were 2 fewer lots than expected. A total of 342 units now are distributed among 11 different tax rate categories. The Pointe Marin development area consists of approximately 103 acres located in the southern area of the City on a portion of the former Hamilton Army Air Force Field. **Map 1** shows the CFD boundaries.

This report provides a detailed description of the process used to calculate the Fiscal Year (FY) 2022-23 special tax levy for the City's CFD. This is the 20th year in which special taxes will be levied in this CFD. The special taxes are calculated according to the "Rate and Method of Apportionment of Special Tax" (Tax Formula), as adopted by the City Council in the Resolution forming the CFD in May 2002.

Organization of the Report

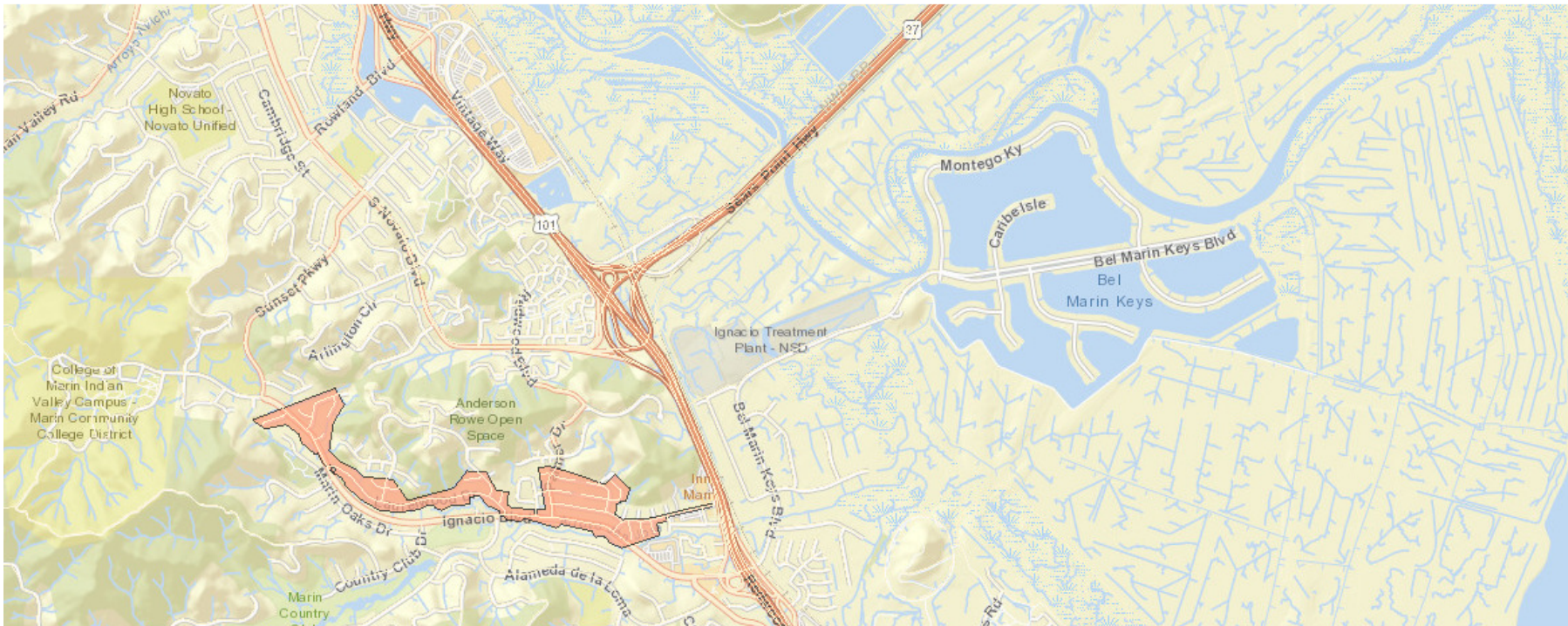
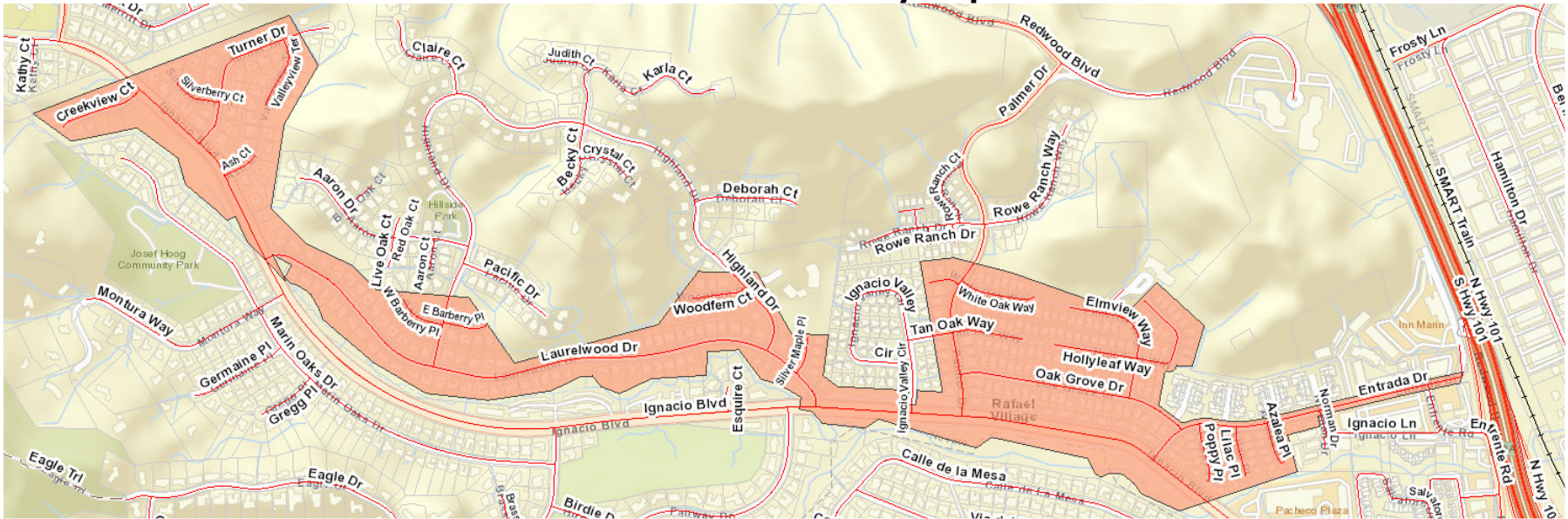
This report serves as the Tax Report required by the Mello-Roos Act. This Tax Report discusses parcels included in the CFD, the calculation of annual costs, and the allocation of the Special Tax to parcels.

Chapter 2 discusses the maximum annual special tax revenue.

Chapter 3 discusses the calculation of the FY 2022–23 tax levy.

Appendix A shows the Maximum Annual Special Tax Rates and the FY 2022–23 special tax levy.

Map 1 CFD Boundary Map



2. Tax Categories and Special Tax Revenue

Background

Economic & Planning Systems, Inc., (EPS) became the tax administrator for the CFD in 2003 and prepared the special tax levy for FY 2003-04. The City provided EPS with a master file that contained lot numbers, the actual building square footage for homes that had been built, and the proposed building square footage for vacant lots in the CFD. EPS used this master file to assign parcels to the appropriate tax rate category. FY 2022-23 tax records have not been changed or modified in the previous year.

The City refunded the outstanding CFD bonds in 2020 to reduce the annual debt service costs. The City reached out to property owners within the Pointe Marin development to get direction on how the annual cost savings should be applied within the CFD. Based on these discussions, the City will use some of the annual savings to fund maintenance services of public amenities, with the remainder being used to reduce the annual special tax levy for FY 2022-23.

Tax Categories

The Pointe Marin project area encompasses 342 units distributed among 11 different tax rate categories established by the square footage of the home. The categories are numbered 1 through 11, with 1 corresponding to the lowest Maximum Annual Special Tax Rate, and 11, the highest. The tax rate categories are shown in **Table 1**, with the corresponding building square foot ranges and Maximum Annual Special Tax Rate assigned to each tax rate category for FY 2021-22 and FY 2022-23. **Table 1** also shows the number of units or parcels assigned to each tax rate category in each fiscal year.

Special Tax Revenue

The FY 2021-22 maximum special tax revenue was \$1,024,188.29. The Maximum Annual Special Tax Rate is increase by 0.31 percent each fiscal year. With the tax escalation factor, the maximum special tax revenue for FY 2022-23 is \$1,027,364.28.

Table 1
City of Novato
CFD No. 2002-1 (Pointe Marin)
Estimated Maximum Annual Special Tax Revenue - Comparison of FY 2021-22 and FY 2022-23

Tax Category	Home Size	No. of Units	Fiscal Year 2021-22		No. of Units	Fiscal Year 2022-23	
			FY 2021-22 MASTR	Annual Tax Revenue		FY 2022-23 MASTR	Annual Tax Revenue [1]
Tax Rate Category 1	1,900 And Under	5	\$2,308.86	\$11,544.30	5	\$2,316.02	\$11,580.10
Tax Rate Category 2	1,901 - 2,200	73	\$2,351.27	\$171,642.71	73	\$2,358.56	\$172,174.88
Tax Rate Category 3	2,201 - 2,500	68	\$2,605.44	\$177,169.92	68	\$2,613.52	\$177,719.36
Tax Rate Category 4	2,501 - 2,900	36	\$2,753.71	\$99,133.56	36	\$2,762.25	\$99,441.00
Tax Rate Category 5	2,901 - 3,100	23	\$3,134.97	\$72,104.31	23	\$3,144.69	\$72,327.87
Tax Rate Category 6	3,101 - 3,300	30	\$3,240.89	\$97,226.70	30	\$3,250.94	\$97,528.20
Tax Rate Category 7	3,301 - 3,500	23	\$3,325.62	\$76,489.26	23	\$3,335.93	\$76,726.39
Tax Rate Category 8	3,501 - 3,700	12	\$3,643.34	\$43,720.08	12	\$3,654.64	\$43,855.68
Tax Rate Category 9	3,701 - 3,900	33	\$3,706.89	\$122,327.37	33	\$3,718.39	\$122,706.87
Tax Rate Category 10	3,901 - 4,200	0	\$3,858.63	\$0.00	0	\$3,870.60	\$0.00
Tax Rate Category 11	4,201 And Up	39	\$3,918.72	\$152,830.08	39	\$3,930.87	\$153,303.93
Totals		342		\$1,024,188.29	342		\$1,027,364.28

"CFD_revenue"

[1] The Maximum Annual Special Tax Rate was escalated by the compound rate of increase for FY 2022-23 (0.31%).

3. Calculation of FY 2022-23 Special Tax Levy

Compute the Annual Costs of the CFD

The annual cost for the CFD is the total dollar amount of expenditure items that must be funded in FY 2022–23. The annual costs for FY 2022–23 are \$942,364. The annual costs for FY 2021-22 were \$939,188. Annual costs consist of the following items:

- Facilities Expenses
- Service Expenses

Facilities Expenses

Facilities expenses consist of the debt service installments due in the calendar year following the beginning of the current fiscal year. Annual debt service costs for FY 2022–23 (and all future fiscal years) have been reduced as a result of the 2020 refunding of outstanding CFD bonds. FY 2022-23 debt service consists of the principal and interest installments due during calendar year 2023. The principal payment due for calendar year 2023 is \$420,000. Interest payments for calendar year 2023 are due in 2 equal installments of \$102,000. The first interest payment installment is due in March 2023 and the second is due in September of the same year. An additional \$10,000 is included for trustee, paying agent, and registrar fees. Total debt service for calendar year 2023 is \$624,000. Total debt service for the previous calendar year was \$625,200. **Table 2** shows the estimated annual facilities expenses for the CFD.

Service Expenses

The City may levy special taxes to cover administrative and maintenance expenses associated with the costs of administering the CFD. Administrative expenses are estimated to be \$15,000 for FY 2022–23. In previous years, maximum special tax revenues not required to pay debt service (and associated costs) and CFD administration were made available to fund maintenance services in the CFD. In FY 2022-23, the remaining maximum special tax revenues after debt service and CFD administration are \$378,364. These revenues have been maximized from previous years as a result of the CFD bond refunding of 2020. The City is allocating \$85,000 of these savings in FY 2022-23 to offset the special tax levy against taxable parcels.

Table 2 displays these components of the estimated annual costs. Maintenance costs include the cost of long-term replacement and repair of facilities. The amount available to fund maintenance services in FY 2022-23 was \$293,364.

Table 2
City of Novato
CFD No. 2002-1 (Pointe Marin)
Estimated Annual Costs for FY 2022-2023

Item		Amount
Maximum Annual Special Tax Revenue [1]	<i>a</i>	\$1,027,364
Facilities Expenses		
Debt Service		
Principal Payment 9/1/23	<i>b</i>	\$420,000
Interest Payment 3/1/23	<i>c</i>	\$102,000
Interest Payment 9/1/23	<i>d</i>	<u>\$102,000</u>
Total Debt Service Expenses	<i>e = b + c + d</i>	\$624,000
Trustee, Paying Agent, Registrar Fees, and Arbitrage Calculation	<i>f</i>	\$10,000
Amount Needed to Replenish Reserve Fund	<i>g</i>	\$0
Amount for Actual or Estimated Delinquencies	<i>h</i>	\$0
Total Facilities Expenses	<i>i = e + f + g + h</i>	\$634,000
Revenue Remaining for Services	<i>j = a - i</i>	\$393,364
Interest Earnings on Bond Reserve Fund [2]	<i>k</i>	\$0
Adjusted Revenue Available for Services	<i>l = j + k</i>	\$393,364
Service Expenses		
Administrative Expenses	<i>m</i>	\$15,000
Remaining Revenue Available for Services	<i>n = l - m</i>	\$378,364
LESS: CFD Bond Refunding Savings [3]	<i>o</i>	(\$85,000)
Maintenance Service Costs	<i>p = n + o</i>	\$293,364
Total Service Expenses	<i>q = m + p</i>	\$308,364
Total Annual Costs	<i>r = i + q</i>	\$942,364
Allocation of Special Tax Levy [4]	<i>s = r / a</i>	91.73%

"annual_costs"

Source: Official Statement and City of Novato.

[1] From **Table 1**.

[2] Earnings on Bond Reserve Fund are transferred to the maintenance account.

[3] The City refunded outstanding CFD bonds in 2020. A portion of the annual debt service cost reduction is being used to offset annual maintenance costs of the CFD.

[4] The allocation of the special tax levy will be 91.73-percent of the maximum special tax for FY 2022-23.

Total Annual Costs

The sum of the Facilities Expenses and Service Expenses equals the total annual costs of the CFD. The costs are \$942,364 for FY 2022-23. With total maximum special tax revenue equaling \$1,027,364 the City will need to levy 91.73 percent (shown in **Table 2**) of the maximum special tax for each taxable parcel to derive special tax revenues required to fund annual costs.

Compute the Maximum Tax Rates for FY 2022–23

The Maximum Annual Special Tax Rates for FY 2022–23 are shown by tax category in **Table 1**. These Annual Special Tax Rates per unit are the amount of maximum special tax per unit available to satisfy annual costs of the CFD. By levying the special tax by the percentage (91.73 percent) as shown in **Table 2**, the revenue from the levy of the special tax just equals annual costs.

Amount of Special Taxes to Be Levied in FY 2022–23

Table 3 shows the maximum special tax per tax category and the special tax allocation per unit for FY 2022-23. In levying the special tax at 91.73 percent of the maximum special tax, the special tax revenues of the CFD will just equal annual costs.

Appendix A shows the amount of special tax to be levied for each taxable parcel in FY 2022–23. The amount to be levied on each parcel is equal to 91.73 percent of the maximum special tax that may be levied for a parcel in each tax category.

Table 3
City of Novato
CFD No. 2002-1 (Pointe Marin)
Special Tax Levy - FY 2022-23

Tax Category	No. of Units	Fiscal Year 2022-23		Annual Tax Revenue
		FY 2022-23 MASTR	FY 2022-23 Special Tax Allocation	
Special Tax Allocation			<i>91.73%</i>	
Tax Rate Category 1	5	\$2,316.02	\$2,124.40	\$10,622.01
Tax Rate Category 2	73	\$2,358.56	\$2,163.42	\$157,929.82
Tax Rate Category 3	68	\$2,613.52	\$2,397.29	\$163,015.57
Tax Rate Category 4	36	\$2,762.25	\$2,533.71	\$91,213.65
Tax Rate Category 5	23	\$3,144.69	\$2,884.51	\$66,343.75
Tax Rate Category 6	30	\$3,250.94	\$2,981.97	\$89,459.11
Tax Rate Category 7	23	\$3,335.93	\$3,059.93	\$70,378.36
Tax Rate Category 8	12	\$3,654.64	\$3,352.27	\$40,227.24
Tax Rate Category 9	33	\$3,718.39	\$3,410.75	\$112,554.60
Tax Rate Category 10	0	\$3,870.60	\$3,550.36	\$0.00
Tax Rate Category 11	39	\$3,930.87	\$3,605.65	\$140,620.18
Totals	342			\$942,364.28

"levy2223"