

MEMORANDUM

Date: November 2, 2020
 To: Finance Committee
 From: Tom Hennig, General Manager
 Subject: Delinquency Repayment Analysis

RECOMMENDED ACTIONS:

Approve the District’s financial assessment for disbursing the funds received from the Rancho Murieta Properties, LLC, which has brought their special assessment bond obligations up to date.

BACKGROUND:

In 2014, the District conducted proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 to form its Community Facilities District No. 2014-1 (“CFD”), levy special taxes on the CFD lands, and issue and sell bonds secured by the special taxes. The District formed the CFD at the request of the Rancho North Properties and Murieta Inn and Gardens landowners. The CFD and related bonds funded the landowners’ share of the 2014-16 water treatment plant expansion project. These Mello-Roos special taxes are collected through the County tax roll and remitted to the District generally four times throughout the fiscal year in December, January, May and August.

The District recently learned that five CFD 2014-1 parcels/landowners were delinquent in payment of the their special taxes. Remedies were initiated with the parcels/landowners to cure the delinquency, which included issuing a September 2020 demand letter; which was immediately satisfied by the payment of approximately \$851,000 that consisted of special taxes (\$689,285), penalties (\$161,526) and fees (\$1,000).

After identification of the delinquency, District staff, with its Financial Consultant, The Pun Group, LLP, NBS and Wilmington Trust, have been working to provide an accounting from the date bonds were issued to current of the special taxes received, shortfall by year, and the amounts remitted to the Trustee and paid to bondholders, including District funds. This accounting is necessary and is consistent with prior recommendations the District received from its Financial Consultant and the external auditor.

The annual debt service payments are as follows:

Payment Date	Balance	Interest Rate	Principal Paid 9/1	Interest Paid 9/1 & 3/1	Annual Total
2014-15	\$ 5,960,000.00	0.0000%	\$0	\$154,030	\$154,030
2015-16	5,960,000.00	0.0000	\$0	\$130,780	\$261,560
2016-17	5,960,000.00	0.0000	\$0	\$130,780	\$261,560
2017-18	5,960,000.00	2.5000	\$130,000	\$130,780	\$391,560
2018-19	5,830,000.00	2.7500	\$130,000	\$129,155	\$388,310
2019-20	5,700,000.00	3.0000	\$135,000	\$127,368	\$389,735
					\$1,846,755

To date, the District has not defaulted on its payments to bondholders. All annual debt service payments have been made. Below the Flow of Fund Analysis performed by NBS shows that \$543,110 will need to be repaid to the District:

Community Facilities District No. 2014-1

Flow of Funds Analysis

Fiscal Year	Date ⁽¹⁾	Apportionment to CSD from County	Payment to Wilmington for Debt Service ⁽²⁾	Interest on Special Tax Loan Made By CSD ⁽³⁾	Special Tax Loan Made By CSD ⁽⁴⁾	Total Special Tax Loan For Fiscal Year ⁽⁴⁾
2016-17	12/2016	-	-			
	01/2017	76,904.87	-			
	2/21/2017	-	76,937.69	(2.69)	(32.82)	
	05/2017	1,081.55	-			
	6/30/2017	-	-	(4.30)	(54.34)	
	08/2017	3,122.42	-			
	8/30/2017	-	76,819.57	(5,562.58)	(72,615.60)	(72,702.76)
2017-18	11/2017	73,172.38				
	01/2018	24,519.80				
	2/26/2018	-	130,780.00	(2,293.73)	(33,087.82)	
	05/2018	24,117.51				
	6/30/2018	-		(1,156.62)	(17,978.04)	
	08/2018	294.76				
9/4/2018	-	260,772.44	(14,177.69)	(236,360.17)	(287,426.03)	
2018-19	12/2018	360,577.24				
	01/2019	23,396.54				
	3/1/2019	-	129,155.00		-	
	05/2019	20,684.96				
	06/2019	2,925.42	275,798.80			
	6/30/2019	-		(733.94)	(18,126.78)	
	08/2019	17,290.94				
8/29/2019	-	20,031.22	(4.27)	(109.92)	(18,236.70)	
2019-20	11/2019	213.84				
	01/2020	41,453.47				
	2/25/2020	-	169,366.31	(3,498.50)	(127,699.00)	
	5/2020	38,630.72				
	5/27/2020		38,336.05			
6/30/2020			(761.67)	(37,045.53)	(164,744.53)	
Total		708,386.42	1,177,997.08	(28,195.98)	(543,110.02)	(543,110.02)

The receipt of the \$851,812 in special taxes in September 2020 will be allocated as follows to satisfy repayment obligations:

- First, to repay the District for amounts loaned to the CFD and transferred to Wilmington Trust to make the annual debt service payments due to the shortfall,
- Second, to Wilmington Trust to replenish the bond reserve funds to the required amount of \$391,525 under the bond indenture,
- Third, to the District for the administrative fee assessed and collected for use in administering the CFD, and
- Last, any excess funds from penalties and fees will be placed in the Wilmington Trust under the terms of the bond indenture as required or the District's general fund.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Community Facilities District No. 2014-1

Delinquency Repayment Analysis

Description	Reconciliation of Balance
Collected from Property Owner	\$851,812.00
Repayment to CFD Reserve Funds	(183,273.00)
Repayment to Rancho Murieta CSD General Fund	
Total Loan Amount for Debt Service Payments and Administrative Costs	(\$543,110.02)
Total Loan Interest Amount	(28,195.98)
Final Repayment Total to Rancho Murieta CSD General Fund	(\$571,306.00)
Balance of Remaining Amount Collected from Property Owner	97,233.00

Staff will be providing a complete accounting and recommendations to the Board of Directors in November.