

NEW CONSTRUCTION – METHODS OF FINANCINGCommunity Facilities District Financing PlanEquity of Tax Allocation

In order to ensure the equity of tax allocation formulas, the following procedures and standards shall be followed:

A. Sales Procedure

Community Facilities District bonds may be sold at Negotiated Sale if the Board of Trustees determines that a negotiated sale would result in a lower overall cost. Otherwise, the bonds may be sold at Competitive Sale.

B. Maximum Amount; Other Limitations on terms of Bonds

Until otherwise determined by the Board of Trustees as recommended by the Superintendent, Community Facility District bonds issued may be issued subject to the following criteria:

1. The maximum annual amount of ad valorem property taxes assessed against real property within the Community Facilities District, including Community Facilities District tax levies and assessments by assessment districts,, is two percent (2%) of the assessed value of all real property in the District;
2. The maximum stated interest rate is twelve percent (12%) per year and may be either fixed or variable;
3. The maximum maturity is forty (40) years;
4. Serial Maturities or Sinking fund Installments may be required;
5. Interest may be required to be payable semiannually except during the first who years; and
6. Approximately level Debt Service may be required.

Bond anticipation notes may be issued. The maximum Maturity of any bond anticipation note, including the terms of any renewals thereof, may not exceed five years.

C. Refunding bonds

1. Refunding bonds may be issued without repeating any of the procedures required for the approval of the original bond issue, if the Board of Trustees determines that the

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tax savings to taxpayers would result from the issuance of the refunding bonds.

2. Any savings achieved by issuing refunding bonds must be used to reduce the special taxes which are levied.

A Community Facilities District Financing Plan shall be established by the Board of Trustees on the recommendation by the Superintendent. The Plan shall be maintained and kept up-to-date and shall reflect financing priorities for District educational needs.

In establishing or maintaining the Community Facilities District Financing Plan, the Board of Trustees shall be guided by certain factors. These factors shall include, but shall not be limited to:

- Priorities. The District will cooperate with city and county agencies to prioritize the various kinds of public facilities for financing through the use of the Mello-Roos Community Facilities Act. It shall include school buildings, structures, or additions thereto, as well as other public facilities to be owned and operated by other public agencies. The District will work in the planning stages in cooperation with other county and municipal bodies such as planning and zoning commissions, and other relevant bodies.
- Credit quality to be required of bond issues. If community facilities district bonds are issued, the bonds are to be payable from the proceeds of **Ad Valorem** property taxes levied upon taxable property in the District, but may be additionally secured by or paid from other sources of funding, such as general obligation bonds, redevelopment tax increment, or developer fees. A bond reserve fund may be required.

The District may agree with bondholders that it will commence foreclosure proceedings by a specified time if an installment of a special tax is delinquent.

The District may require additional security for the bonds in the form of a letter of credit or a guaranty where the land in the District is largely undeveloped and is owned by a few persons. If such a requirement is imposed, the additional security may only be required until the Community Facilities District is fully developed and the property is sold to the general public.

- Taxpayer Information. The Assistant Superintendent of Business Services, or designee, shall establish procedures for the timely dissemination of information in accordance with the requirements of law. He/she shall cooperate with local governmental agencies in disseminating such information.
- Equity of Tax Allocation. Before levying special taxes, the Board of Trustees shall make any findings required by law. Such findings may be governed by criteria for evaluating

the equity of tax allocation formulas and concerning desirable and maximum amounts of special taxes to be levied against any parcel. The criteria may include:

1. The need for the school facilities for which the special tax is levied;
2. The amount of the special tax and the cost of the school construction;
3. The required findings made in the Community Facilities District Report.

In taking into account the equity of the tax allocation formulas and the desirable maximum amount of the special tax, other available funds, and the estimated costs of planning, land acquisition, school construction, and Community Facilities District administration shall be taken into consideration. The formula for levying special taxes may be based upon a variety of factors, including current land use or zoning.

- Appraisals. The definitions, standards, and assumptions to be used in appraisals are as follows:
 1. An appraisal of the property within the Community Facilities District shall be done by a State certified real estate appraiser, as defined in Business and Professions Code Section 11340(c).
 2. The appraisal report will be prepared considering the requirements of the Office of the Comptroller of the Currency (OCC) and Uniform Standards of Professional Appraisal Practice (USPAP) as provided by the Appraisal Foundation.
 3. The Board of Trustees may determine that the value of the real property in the Community Facilities District subject to the special tax levied to pay debt service on bonds exceeds by at least three times the principal amount of the bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Mello-Roos community Facilities Act or a special assessment levied on property within the Community Facilities District.
 4. If the finding in (3) cannot be made, the Board of Trustees may find and determine that the proposed bonds do not present any unusual credit risk due to the availability of credit enhancement or other reasons specified by the Board of Trustees.
 5. The property in the Community Facilities District will be appraised on an “as-is” basis assuming the densities as agreed to by the Board of Trustees.

References: Government Code 53312.7, 53321, 53340.2, 53341.5, 53345.8, 53359.5, and 53359.7; Business and Professions Code 11340
Policy Adopted: April 5, 2005