



## Report to City Council

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**TO:** Mayor and City Council

**FROM:** Dena Heald, Chief Financial Officer/City Treasurer

**AGENDA DATE:** May 20, 2025

**TITLE:** APPROVAL OF THE MAXIMUM AND APPLIED SPECIAL TAXES FOR CERTAIN COMMUNITY FACILITIES DISTRICTS FOR FISCAL YEAR 2025/26 (RESO. NOS. 2025-\_\_, 2025-\_\_, 2025-\_\_, 2025-\_\_, 2025-\_\_, AND 2025-\_\_) (REPORT OF: FINANCIAL AND MANAGEMENT SERVICES) (ALL DISTRICTS)

**TITLE SUMMARY:** Approval of FY 2025/26 Special Taxes for Certain Community Facilities Districts (All Districts)

**DISTRICT:** All Districts

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### Recommendation(s)

That the City Council:

1. As the legislative body of Moreno Valley Community Facilities District No. 5, Adopt Resolution No. 2025-\_\_, a Resolution of the City Council of the City of Moreno Valley, California, Approving the Continuation of the Community Facilities District No. 5 of the City of Moreno Valley Maximum and Applied Special Tax Rates for Fiscal Year 2025/26, and Calculation Thereof.
2. As the legislative body of Moreno Valley Community Facilities District No. 7, Adopt Resolution No. 2025-\_\_, a Resolution of the City Council of the City of Moreno Valley, California, Approving the Continuation of the Improvement Area No. 1 of Community Facilities District No. 7 of the City of Moreno Valley Maximum and Applied Special Tax Rates for Fiscal Year 2025/26, and Calculation Thereof.

3. As the legislative body of Moreno Valley Community Facilities District No. 4-Maintenance, Adopt Resolution No. 2025-\_\_\_, a Resolution of the City Council of the City of Moreno Valley, California, Approving the Continuation of the Community Facilities District No. 4-Maintenance of the City of Moreno Valley Maximum and Applied Special Tax Rates for Fiscal Year 2025/26, and Calculation Thereof.

4. As the legislative body of the Community Facilities District No. 2014-01 (Maintenance Services), Adopt Resolution No. 2025-\_\_\_, a Resolution of the City Council of the City of Moreno Valley, California, Approving the Continuation of the Community Facilities District No. 2014-01 (Maintenance Services) Maximum and Applied Special Tax Rates for Fiscal Year 2025/26, and Calculation Thereof.

5. As the legislative body of the Community Facilities District No. 2023-01 (Public Safety Services), Adopt Resolution No. 2025-\_\_\_, a Resolution of the City Council of the City of Moreno Valley, California, Approving the Continuation of the Community Facilities District No. 2023-01 (Public Safety Services) Maximum and Applied Special Tax Rates for Fiscal Year 2025/26, and Calculation Thereof.

6. Authorize the Chief Financial Officer to adjust the proposed special tax rates in the event there are any parcel changes, clerical errors, or other adjustments as may be necessary between the date the special taxes were calculated and the date the fixed charges are submitted to the County of Riverside, provided the applied special tax does not exceed the maximum special tax and is in compliance with the Rate and Method of Apportionment of Special Tax for the district.

## **SUMMARY**

This report recommends adoption of the resolutions (Attachments 1 through 5), which approve the calculation and set the fiscal year (FY) 2025/26 maximum and applied special tax rates against real property included within certain Community Facilities Districts (CFD) administered by the City and authorizes the levy of the applied special tax on the property tax roll. Adoption of the resolutions also acknowledges the filing of annual reports for each CFD. This is a routine process that occurs each year.

The proposed special taxes are a continuation of the special taxes currently, or authorized to be, levied on the property tax roll. There are no increases proposed to the maximum rates, other than an annual adjustment, provided the qualified electors (i.e., landowners or registered voters, depending upon the number of registered voters) previously authorized such adjustment. Revenue received from the special tax funds maintenance and administrative expenses for the service CFDs or debt service and administrative expense requirements for the bonded CFDs.

The Finance Subcommittee reviewed the annual inflationary adjustments proposed to be applied to the maximum rates, if previously authorized by the property owners, at its April 22, 2025, meeting.

## **DISCUSSION**

The Mello-Roos Community Facilities Act of 1982 (the “Act”) allows the formation of CFDs to fund the operation and maintenance of public improvements and/or finance the construction of public infrastructure improvements by the issuance of bonds. The qualified electors within the boundaries of the CFDs approved the Rate and Method of Apportionment (RMA) and authorized the levy of a special tax on their properties to fund the services of the district or as security for repayment of bonds. The RMA establishes the special tax formula (e.g. rate of annual adjustment, if any, etc.) and how the special tax is apportioned to properties included in each CFD.

The special tax cannot be levied on the property tax roll, nor can adjustments be made to the maximum and applied rates, as authorized by the qualified electors, unless the City Council authorizes such actions. Adoption of the resolutions sets the maximum and applied special tax rates, approves the calculation of the rates, and approves an Annual Special Tax Report (“Report”) for each CFD. The resolutions also authorize the County to levy the special tax on the FY 2025/26 property tax roll.

The Report for each CFD includes a description of the formation proceedings, boundary map and identification of parcels included in the district, and the proposed maximum and applied special taxes per parcel to be levied on the property tax roll for FY 2025/26. Reports for the service CFDs also include a description of the improvements being maintained and estimated operational and administrative costs to provide the service. The reports for the bonded CFDs include debt service and administrative requirements. In addition, the Reports for the bonded districts include the Annual Bond Accountability Reports, a requirement of California Government Code Section 53411 (“Government Code”). Boundary maps for the CFDs are also included (Attachment 6). The Reports are on file with the Chief Financial Officer/City Treasurer and accessible from the City’s website ([www.moval.org/sd](http://www.moval.org/sd)).

The maximum special tax rate is the maximum amount that can be used to calculate the special tax levied on the property tax roll. If the qualified electors have previously authorized an annual inflationary adjustment to the maximum rate, the Report recommends adjusting the maximum rate by the adjustment. Otherwise, it remains unchanged.

The applied special tax rate is the amount that is used to calculate the special tax actually levied on the property tax roll. It is the amount necessary to fund the services of each CFD, including administration and reserves for the upcoming fiscal year. The applied special tax rate cannot exceed the maximum special tax rate.

## **Conflict of Interest Analysis**

Section 18702.2 of the Fair Political Practices Commission (FPPC) Regulations provides that if a Council Member has a financial interest in a parcel of land (other than a leasehold interest), the Council Member must recuse him or herself from voting on any proposal that would impose, repeal, or modify any taxes, fees, or assessments that apply to the

parcel owned by the Council Member. However, there is an exception under Section 18703 of the FPPC Regulations, which provides that if a governmental decision's financial effect on a Council Member's financial interest is indistinguishable from its effect on the public generally, then the Council Member is not disqualified from participating in the subject decision. In other words, if the Council Member can establish that a significant segment of the public is affected by the decision, and the effect on the Council Member's financial interest is not unique compared to the effect on the public generally, then the subject Council Member may participate in the subject decision.

Section 18703 also includes a provision titled "Specific Rules for Special Circumstances," which provides in part that there is no potential conflict of interest if the decision involves a proposal to set or adjust the amount of an assessment or tax for broadly provided public services that is applied equally, proportionally, or by the same percentage to the official's interest and all businesses, properties, or individuals subject to the assessment or tax. This exception, however, does not apply if the decision would initially impose the assessment or tax, or determine the boundaries of a property or who is subject to the assessment or tax. Under this exception, a Council Member is only permitted to take part in setting or adjusting the amount of the assessment or tax, once the decisions to implement the assessment or tax, or determine which property or persons that will be subject to the assessment or tax have already been made.

Since the instant situation pertains to recommendations regarding whether to adjust the amounts of various assessments and taxes in a manner that will be the same across the board, which are associated with assessment and special tax districts that have already been established, any Council Member who owns property within any of the subject districts who are subject to payment of the assessments and/or special taxes may vote on the assessments and/or special taxes, whether it is recommended that the amounts remain the same or be increased.

With respect to those Council Members who rent or lease real property within any of the subject districts, there is a different rule which applies that suggests that there may be a potential conflict of interest that requires such Council Members to recuse themselves from voting on the proposed assessments and/or special taxes, whether it is recommended that the amounts remain the same or be increased.

Section 18702.2 of the FPPC Regulations, titled "Materiality Standard: Financial Interest in Real Property" provides that it is reasonably foreseeable that a governmental decision on any real property in which a Council Member has a leasehold interest is material if the governmental decision will increase or decrease the potential rental value of the property. In cases involving any proposed increase in an assessment or special tax that must be paid by the landlord as the property owner, it is foreseeable that the landlord may pass-through any such increase to anyone leasing the property that is subject to the assessment or special tax.

In light of the foregoing, it is recommended that each Council Member who rents property within a particular district that is subject to the taxes and assessments listed in this staff report should recuse themselves from participating in any decision to increase any tax or

assessment that may be passed through by the landlord and consequently affect the potential rental value of the property rented by the Council Member. On the other hand, those who own property within the subject districts may vote on the proposed taxes and assessments since they will be applied equally across the board that presumably will not create a unique effect on the Council Member's interest.

This action meets the Strategic Plan Priorities by providing the financial resources to manage and maximize Moreno Valley's public infrastructure to ensure an excellent quality of life.

## **ALTERNATIVES**

1. Adopt the resolutions and recommended actions as presented. *Staff recommends this alternative as it will allow for the collection of revenue necessary to fund services or satisfy debt service obligations of the CFDs. It is also consistent with the bond covenants, if applicable, Act, and Government Code.*
2. Do not approve the recommended actions. *Staff does not recommend this alternative as it may prevent the City from levying the special taxes on the FY 2025/26 property tax roll and leave the CFDs without sufficient revenue to fund services or satisfy debt service obligations. This alternative may require a contribution from the General Fund. It will also require use of reserve funds to make debt service payments, which will trigger a "significant event" and affect the City's reputation in the bond market. Furthermore, failure to file the Reports is a violation of the Act and Government Code.*
3. Continue the item to a future regular City Council meeting. *Staff does not recommend this alternative as it may prevent the City from meeting the County of Riverside's deadline to include the special taxes on the FY 2025/26 property tax roll.*

## **FISCAL IMPACT**

Property owners pay the special tax as part of their annual property tax bill. The special tax, including annual adjustments where applicable, has been approved by the affected qualified electors through prior proceedings. Funds received for the benefit of each CFD are restricted and can only be used to fund the services and obligations of each district. The tables below provide a summary of the proposed maximum and applied special tax rates for FY 2025/26. Only those tax rate areas with annexed parcels are shown in the table for CFD 2014-01 and CFD 2023-01. The complete schedule can be found as part of the Report.

Proposed Annual Special Tax Rates							
Bonded CFDs							
District	FY 2024/25		FY 2025/26		Adjustment to	Change in	No. of Parcels
	Maximum <sup>1</sup>	Applied	Maximum <sup>1</sup>	Applied	Maximum <sup>1</sup>	Applied	Levied
CFD No. 5 (Stoneridge) <sup>2</sup>	per acre		per acre				
Developed	\$ 15,213.59	\$ 14,559.34	\$ 15,517.87	\$ 14,274.38	2.00%	\$ (284.96)	22
Undeveloped	\$ 15,213.59	\$ -	\$ 15,517.87	\$ -	2.00%	\$ -	
IA No. 1 of CFD No. 7	per acre		per acre				
Developed	\$ 3,500.00	\$ 2,722.72	\$ 3,500.00	\$ 2,699.65	0.00%	\$ (800.35)	3
Undeveloped	\$ 3,500.00	\$ -	\$ 3,500.00	\$ -	0.00%	\$ -	

<sup>1</sup> Maximum rates are based on a predetermined formula as outlined in the Rate and Method of Apportionment for each CFD. The Annual Adjustment Rate was approved by the Qualified Electors (landowners or registered voters).

<sup>2</sup> Subject to an annual adjustment of the Maximum Special Tax equal to two percent (2%).

Proposed Annual Special Tax Rates									
Service CFDs									
District	No. of Dwelling Units	FY 2024/25		FY 2025/26		Adjustment to	Change in	No. of Parcels	Special Tax
		Maximum <sup>1</sup>	Applied	Maximum <sup>1</sup>	Applied	Maximum <sup>1</sup>	Applied	Levied	Revenue
CFD No. 4-M (Centerpointe) <sup>2,3</sup>		per square foot		per square foot					
		\$ 0.014389	\$ 0.012296	\$ 0.015198	\$ 0.012824	5.627%	\$ 0.000528	17	\$ 93,427.90
CFD No. 2014-01 (Maintenance Services) <sup>4,5</sup> Tax Rate Area <sup>6</sup>									
Residential Street Lighting		per parcel		per parcel		5.00%			
SL-01A		\$ 326.24	\$ 31.50	\$ 342.55	\$ 31.50		\$ -	1,441	\$ 45,391.50
SL-01B		\$ 102.52	\$ 8.27	\$ 107.65	\$ 8.28		\$ 0.01	776	\$ 6,425.28
Non-Residential Street Lighting		per proportional front footage		per proportional front footage					
SL-02		\$ 5.30	\$ 1.00	\$ 5.57	\$ 2.50		\$ 1.50	71	\$ 114,341.14
Residential Landscaping									
LM-01B		\$ 70.30	\$ 66.96	\$ 73.82	\$ 73.80		\$ 6.84	69	\$ 22,435.20
LM-01C		\$ 128.98	\$ 128.98	\$ 135.43	\$ 135.42		\$ 6.44	101	\$ 28,031.94
LM-01D		\$ 211.08	\$ 211.08	\$ 221.63	\$ 221.62		\$ 10.54	409	\$ 90,642.58
LM-01F		\$ 445.72	\$ 102.62	\$ 468.01	\$ 102.62		\$ -	395	\$ 40,534.90
LM-01G		\$ 598.24	\$ 185.92	\$ 628.15	\$ 195.20		\$ 9.28	416	\$ 81,203.20
LM-01H		\$ 774.22	\$ 397.68	\$ 812.93	\$ 417.56		\$ 19.88	55	\$ 22,965.80
LM-01K		\$ 1,442.96	\$ 732.90	\$ 1,515.11	\$ 782.90		\$ 50.00	86	\$ 67,329.40
Non-Residential Landscaping		per proportional front footage		per proportional front footage					
LM-02A		\$ 17.16	\$ 9.26	\$ 18.90	\$ 9.26		\$ -	12	\$ 24,725.42
LM-02B		\$ 8.56	\$ 5.39	\$ 9.43	\$ 5.39		\$ -	18	\$ 17,982.56
Traffic Circle Landscaping Without Monument/Signage Features for Single-Family Residential <sup>7</sup>		per parcel		per parcel		5.00%			
TC-01A		\$ 27.86	\$ 27.86	\$ 29.25	\$ 29.24		\$ 1.38	180	\$ 5,263.20
Traffic Circle Landscaping Without Monument/Signage Features for Property Other than Single-Family Residential		per angularly allocated landscape foot		per angularly allocated landscape foot					
TC-03		\$ 42.96	\$ 42.96	\$ 45.11	\$ 45.11	\$ 2.15	9	\$ 47,363.34	
Street Maintenance and Drainage for Single-Family Residential SD-01P	per parcel	\$ 1,057.40	\$ 1,007.06	\$ 1,110.27	\$ 1,007.06	\$ -	755	\$ 760,330.30	
CFD No. 2023-01 (Public Safety Services) <sup>8,9</sup> Tax Rate Area <sup>6</sup>									
Residential Property <sup>7</sup>		Per Dwelling Unit		Per Dwelling Unit		5.00%			
Accessory Dwelling Unit	41	\$ 206.00	\$ 206.00	\$ 216.30	\$ 216.30		\$ 10.30	35	\$ 8,868.30
Single Family	78	\$ 242.00	\$ 242.00	\$ 254.10	\$ 254.10		\$ 12.10	78	\$ 19,819.80
Non-Residential Property		1,000 Ft. of Building Sq. Footage		1,000 Ft. of Building Sq. Footage					
Commercial		\$ 56.00	\$ 56.00	\$ 58.80	\$ 58.80		\$ 2.80	3	\$ 4,887.00
Undeveloped Property		Parcel		Parcel					
All		\$ -	\$ -	\$ -	\$ -	\$ -			\$

<sup>1</sup> Maximum rates are based on a predetermined formula as outlined in the Rate and Method of Apportionment for each CFD. The Annual Adjustment Rate was approved by the Qualified Electors (landowners or registered voters).

<sup>2</sup> Maintenance of certain storm drain facilities.

<sup>3</sup> Subject to an annual adjustment based on the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year, which ends in the previous fiscal year.

<sup>4</sup> Maintenance & operation of street lights, public landscaping, and streets and drainage.

<sup>5</sup> Subject to an annual escalation factor based on the greater of the increase in the annual percentage change in the Los Angeles-Long Beach-Anaheim Regional Consumer Price Index (CPI), as published by the Department of Labor's Bureau of Labor Statistics (3.42%) or five percent (5%).

<sup>6</sup> Only those Tax Rate Areas that have parcels annexed into it are shown. See the Report for a complete schedule.

<sup>7</sup> CFD 2023-01 levy calculation for residential property is based on the number of dwelling units, not number of parcels.

<sup>8</sup> Public safety services include police protection, fire protection and suppression, and paramedic services.

<sup>9</sup> Annual adjustment to maximum rate as approved by qualified electors (landowners or registered voters). Based on the greater of the percentage change calculated for the prior year in the Riverside-San Bernardino-Ontario County Regional Consumer Price Index (CPI), as published by the Department of Labor's Bureau of Labor Statistics (2.61%) or 5.0%.

## NOTIFICATION

Posting of the agenda.

## PREPARATION OF STAFF REPORT

Prepared By:  
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Deputy Finance Director

Department Head Approval:  
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Chief Financial Officer/City Treasurer

Concurred By:  
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## **CITY COUNCIL GOALS**

Community Image, Neighborhood Pride and Cleanliness: Promote a sense of community pride and foster an excellent image about our City by developing and executing programs which will result in quality development, enhanced neighborhood preservation efforts, including home rehabilitation and neighborhood restoration.

Revenue Diversification and Preservation: Develop a variety of City revenue sources and policies to create a stable revenue base and fiscal policies to support essential City services, regardless of economic climate.

## **CITY COUNCIL STRATEGIC PRIORITIES**

- 1. Economic Development**
- 2. Public Safety**
- 3. Library**
- 4. Infrastructure**
- 5. Beautification, Community Engagement, and Quality of Life**
- 6. Youth Programs**

Objective 4.2: Develop and maintain a comprehensive Infrastructure Plan to invest in and deliver City infrastructure.

Objective 5.2: Promote the installation and maintenance of cost effective, low maintenance landscape, hardscape and other improvements which create a clean, inviting community.

## Report Approval Details

Document Title:	STAFFREPORT_FMS_SD_FOR CITY CFDs _05.20.25.docx
Attachments:	<ul style="list-style-type: none"><li>- Resolution Approving Annual Levy for CFD 5.docx</li><li>- Resolution Approving Annual Levy for CFD 7.docx</li><li>- Resolution Approving Annual Levy for CFD 4M.doc</li><li>- Resolution Approving Annual Levy for CFD 2014-01.docx</li><li>- Resolution Approving Annual Levy for CFD 2023-01.docx</li></ul>
Final Approval Date:	May 12, 2025

This report and all of its attachments were approved and signed as outlined below:

### **No Signature found**

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