
Performance Audit of Community Facilities Districts

THE DEGREE OF ACCURACY IN
CFD SPECIAL TAX LEVIES AND THE PROCEDURES
FOR APPEALS COULD BE IMPROVED

MAY 2014

Audit Report

Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

May 7, 2014

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report on the City of San Diego's Community Facilities Districts. This report was conducted in accordance with the City Auditor's Fiscal Year 2014 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 49 of this report.

We would like to thank staff from the Debt Management, Development Services Department and San Diego County Assessor's Office for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Kevin Christensen, Danielle Knighten, and Kyle Elser.

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Results in Brief

Community Facilities Districts (CFDs) are legal entities created by local governments to pay for the construction of public improvement projects within specified boundaries. This audit was requested by Councilmember Mark Kersey after the media reported that some property owners in CFDs were being charged inaccurate special tax amounts.

Our audit focused on the City's procedures in calculating and assessing special tax levies, a procedure that relies on square footages calculated early in the development process. We found that special tax levies were potentially inaccurate on 22 of the 348 homes we reviewed in CFD 4 – the CFD we focused on for this audit. We identified these discrepancies by comparing City and County Assessor records used to calculate assessable square footage. We found that a cause for these potential inaccurate tax levies resulted from possibly inaccurate or incomplete square footage recorded on City permit records, which are used to determine the special tax levy amount. We found that Development Services' procedures used to calculate assessable square footage can be prone to potential inaccuracies.

The City Attorney's Office advised that inaccuracies in assessable square footages on building permits should be corrected to reflect the accurate assessable square footage of the home and corresponding changes should be made to the CFD special tax levy amounts where applicable. We recommended that Development Services review the 22 potential errors we identified in CFD 4, and reconcile the City's and County Assessor's square footage records for the other three City CFDs to identify any errors in square footage significant enough to change the tax levy amount. Then Debt Management and the City's special tax consultant should be provided with this information to make any necessary corrections to the special tax levy amounts.

In addition, we also reviewed the City's process for handling appeals when a property owner suspects a CFD tax amount may be incorrect. We found that the City's process has been effective in settling all appeals to the satisfaction of homeowners within CFD 4. However, we also found the City's appeals process does not follow procedures utilized by other similarly-sized municipalities relying on Mello-Roos

financing for the development of public infrastructure and improvements. We recommended that Debt Management in consultation with the City Attorney's Office should bring before City Council, acting as the Legislative Body of the CFDs, a formal appeals process for CFD taxes for review and approval.

We made a total of two recommendations to City management to address the issues outlined above, and management agrees or partially agrees with both recommendations. Based on management's response (presented after page 49 of this report), Development Services has reviewed the 22 discrepancies we identified and confirmed the County Assessor's square footage figures for seven of the sites. This indicates that the special tax levies will need to be corrected for these seven because the actual square footage is different than what was used by the tax consultant to calculate the tax amount. During our recommendation follow-up process we will work with Development Services' and the County Assessor's staff to validate the conclusions reached for the remaining 15 discrepancies. Additionally, management provided attachments to their response outlining specific areas of disagreement with information presented in our report. We maintain that the information presented in our audit is fair, balanced, and accurate.

Background

What Is a Community Facilities District?

Community Facilities Districts (CFDs) are legal entities created by local governments to pay for the construction of public improvement projects within specified boundaries. The City of San Diego, through its General Plan,¹ requires that new development projects, including master planned housing communities, either provide or fund all required public facilities, such as streets, sidewalks, and schools. CFDs are one of several mechanisms through which the City accomplishes this requirement. CFDs can also be used to finance improvements in existing neighborhoods as well. In either case, CFDs typically seek financing for public improvements and services through the sale of municipal bonds.

Currently there are four CFDs within the City of San Diego which encompass more than 5,000 residential units (See **Exhibit 1**).² The CFDs were established to provide infrastructure for new housing developments and improvements in areas where houses and other properties had already been built.

Exhibit 1

Overview of Funds Generated and Remaining Liabilities of CFDs

| Community Facilities Districts | | Residential Units | Amount of Bond Issued |
|--------------------------------|---|-------------------|-----------------------|
| CFD No. 1 | Miramar Ranch North | 3,125 | \$24,795,000 |
| CFD No. 2 | Santaluz – Improvement Area No. 1 | 975 | \$51,680,000 |
| | Santaluz – Improvement Area No. 3 | 93 | \$4,350,000 |
| | Santaluz – Improvement Area No. 4 | 226 | \$9,965,000 |
| CFD No. 3 | Liberty Station – Improvement Area No.1 & 2 | 347 | \$15,770,000 |
| CFD No. 4 | Black Mountain Ranch Villages – Zone 1 | 260 | \$12,365,000 |
| | Black Mountain Ranch Villages – Zone 2 | 88 | |
| Total | | 5,114 | \$118,925,000 |

Source: OCA, from David Taussig & Associates’ Reports.

¹ The City’s General Plan is its constitution for development. It is comprised of ten elements that provide a comprehensive slate of citywide policies and further the City of Villages smart growth strategy for growth and development. The General Plan was comprehensively updated by unanimous vote of the City Council in 2008.

² See Appendix C for maps showing the four CFDs.

**What Is the Legal Basis
for a Community
Facilities District, and
How Is the City Involved?**

Nearly \$120 million in bonds have been issued to pay for roads, streets, and other infrastructure within the four CFDs. Outstanding bond payments, however, are not directly liabilities of the City because a CFD is a separate legal entity from the local municipality.

CFD's are authorized under a California law, the Mello-Roos Community Facilities Act of 1982 (Mello-Roos Act). This law permits a public entity to create a defined area within its jurisdiction and levy a special tax within that district to pay directly for public improvements or services, or pay debt service on bonds issued to finance improvements. In addition to the Mello-Roos Act, formation of a CFD in the City of San Diego is governed by several other laws and policies, such as the City of San Diego Debt Policy.

The first role of the City Council in the formation of CFDs located in the City is to approve the Notice of Intent and the Rate and Method of Apportionment (RMA), which triggers a change in its role from City Council for the City to "legislative body" overseeing the operation of the district.

A key document that sets forth administrative procedures to be used in the operation of a CFD is the Rate and Method of Apportionment (RMA). For the CFDs related to the City of San Diego, the RMAs, in pertinent part:

- Define the roles of officers for the operation of the CFD, including the appointment of a CFD Administrator;
- Define the establishment and use of different funds for the operation of the CFD;
- Specify separate designations of land use categories – such as developed property, final mapped property, association property, and undeveloped property – and provides separate tax rates for each class; and
- Delineate how the special taxes will be levied to property and homeowners.

These administrative procedures are required in order to facilitate the establishment of a CFD, levy a special tax, and issue bonds.

Once the City Council approves the RMA for a CFD in the City, and before the formation of the CFD is completed, a vote of the landowners in the prospective district must be taken. As with the vast majority of CFDs, the formation of CFD 4 occurred when the land was still owned by the developer. According to Debt Management, all of the City's CFDs were formed between 12 to 24 years ago through a landowner election in conformance with the Mello-Roos Act, the City's CFD Policy, and the City's Public Facilities Financing Plans. A landowner election is used in virtually all CFDs formed throughout the state. Debt Management further asserts that it is widely and commonly understood that it would be highly impractical to wait until development is completed with the homes built and occupied to conduct an election in which two-thirds of registered voters would approve taxing themselves. Moreover, homebuyers are informed during the home-buying process of the existence of the tax and the maximum amount that can be levied as part of the tax.

**How Are Community
Facilities Districts
Administered?**

Once the CFD is formed, the role of the City Council, serving as the legislative body for the CFD, is to annually approve the levy of the special taxes, make bond payments, and oversee administrative functions. The Debt Management Department³ is the City's primary department that administers the CFDs and manages the City's CFD consultant. Together they are responsible for the day-to-day operation of the CFDs in the City of San Diego. Duties of the City's former-CFD Consultant, David Taussig & Associates, Inc. (DTA), included creating and maintaining an electronic parcel database to include all parcels and Assessor's Parcel Number, corresponding tract and lot number, acreage, assessed values, building square footage, and building permit issuance date. DTA was also responsible for researching building permit issuance for each fiscal year based on information collected by the City's Development Services Department. DTA then identified building permit issuance date, tract, and lot for each new building and entered this information into a database and assigned each residence to a land use class.

³ The Department also coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure projects. The Department monitors outstanding bond issuances for refunding opportunities, and performs, coordinates, and monitors certain post-issuance administrative functions.

According to Debt Management, there are many additional aspects of CFD administration and various administrative functions performed by a number of City departments, including Debt Management, the Comptroller's Office, the Treasurer's Office, and the City Attorney's Office.

Additionally, Debt Management notes that effective in December 2013, Willdan Financial Services assumed the role as the City's current CFD Special Tax Consultant. DTA's contract expired in December 2013, and Willdan was identified as the current consultant through a competitive process.

How Are Tax Levies Determined?

A key component of levying of special taxes is ensuring that the amount of tax assessed is accurate. It is imperative when assessing any tax that a government uses the proper and correct base to make that levy. Agencies that establish CFDs should strive to ensure accuracy of any taxes levied to taxpayers.

Under the RMA for CFD 4 prepared in part by DTA and adopted by the City Council, the special tax rate for each residence is to be determined when a property's classification changed from undeveloped property to developed property. The RMA for CFD 4 defined "developed property" as taxable property for which a building permit for "new construction" was issued before March 1 of the previous fiscal year. The RMA for CFD 4 also defines exactly what square footage is included in the special tax levy and called this space, "residential floor area." The RMA for CFD 4 defined residential floor area as living area within the residential structure, not including any carport, walkway, garage, overhang patio, enclosed patio, or similar areas.

Under the procedures stated in the RMA for CFD 4, City building permits play the key role in determining special tax levy. The RMA-required data points for determining square footage are "the building permit(s) issued for such Assessor's Parcel." Further, the report states that "[e]ach fiscal year" each parcel "shall be assigned" to a land use zone. As Finding 1 will discuss, the point at which these permits are collected to determine square footage is critical in ensuring that square footage subject to a special tax levy is completely and accurately determined.

**Why Did We Do This
Audit?**

This audit was requested by Councilmember Mark Kersey after a local media outlet reported that some property owners in CFDs were being charged inaccurate special tax amounts. We concentrated our efforts on understanding the processes and data flow when computing CFD taxes. We focused our testing on CFD No. 4 as this district was the focus of the media scrutiny and the impetus for the Councilmember's request.

Audit Results

Finding 1: Potential Errors in Square Footage Calculations May Have Resulted in Some Inaccurate Tax Levies

We found that special tax levies were potentially inaccurate on 22 of the 348 homes reviewed in the City's Community Facilities District (CFD) 4 – the CFD we focused on for this audit. We found that a cause for these potential inaccurate tax levies may have resulted from inaccurate or incomplete square footage recorded on City permit records, which are used to determine the special tax levy amount. We compared City and County Assessor records used to calculate assessable square footage and found many discrepancies for the homes we examined.

We found some problems exist in the procedures to calculate the amount of assessable square footage considered in establishing each home's special tax levy. We found that Development Services' procedures used to calculate assessable square footage is sometimes prone to potential inaccuracies and more importantly, their procedures do not always take into account changes that are made in the home's configuration during original construction. The developer or home buyers make changes by adding options—such as additional living space. Development Services does not always update the square footage recorded on the original permit for these changes, and these permits serve as the basis for the special tax levy. As a result, the City is potentially assigning inaccurate special tax levies to residents of CFDs by not basing the special tax on fully accurate and updated records.

We also reviewed the County of San Diego Assessor's procedures to record home square footage and found its data may be more accurate. As a result, we used County records to test the accuracy of the tax assessments for CFD 4, and we identified 22 potential inaccurate tax levies because the assessable square footage listed in the building permit – which serves as the basis for the levy – potentially does not accurately reflect the assessable square footage of the home that was actually built.

City Uses Different Procedures than the County Assessor to Determine CFD Assessable Square Footage

The City and the County Assessor each follow different procedures to calculate assessable square footage. However, they should yield the same results. The County Assessor's procedures are more detailed and consequently may more accurately reflect the original construction on a particular parcel. The result is that assessable square footage calculations recorded in building permits, which serve as the basis for calculating special tax levies in the City's CFDs, are potentially not as accurate in some cases. Notably, these potential inaccuracies may lead to inaccurate special tax levies for a small percentage of the residents. The two different procedures to determine the square footage are as follows:

- **City square footage calculations used for CFD special tax levies and other purposes:** Development Services is primarily responsible for establishing fees associated with the developmental review process, not for calculations of square footage subject to a special tax levy related to CFDs. According to Development Services, fees associated with the building review process are based on the *entire footprint* of the residence—that is all developed square footage, which includes areas such as garage and patio space. Moreover, as a secondary responsibility, Development Services states that it establishes the assessable square footage for purposes of assessing school fees – which, in contrast to the *entire footprint*, includes only the livable space of the house, such as bedrooms, living rooms, and extra rooms. The criteria Development Services uses to calculate square footage for assessing school fees is based on state law.⁴ According to Development Services, both square footage calculations are included in building permits issued for each property. The RMA requires that the building permit serve as the basis of the special tax levy. As a result, Debt Management asserts that the special tax consultant relied on the livable space version of the assessable square footage calculation in the building permit to determine special tax rates associated with CFDs. Development Services stresses that their role in calculating assessable per square footage is

⁴ Development Services bases its assessable square footage based on Cal. Gov. Code sec. 65995 which states: "Cal. Gov. Code sec. 65995 (b) (1): In the case of residential construction . . . 'Assessable space,' for this purpose, means all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area."

specifically for school fees and, consequently, that Development Services has no procedures in place tailored specifically to calculate and update data related to CFDs. We believe that, despite not being a primary function, Development Services should consider strengthening controls over the calculation of assessable square footage to ensure the accuracy of these figures. To its credit, Development Services has taken steps by drafting new procedures for the calculation of assessable square footage.

- **County square footage calculations used exclusively for tax levies:** According to the San Diego County Assessor's Office, calculation of assessable space is based on state law and staff review of building plans to determine exactly what is occurring at the site. The information is used to establish both property tax and special tax levies throughout the County. Unlike the City, the County's procedures to determine square footage has one purpose—tax levies. It appears that the County's procedures are more comprehensive and therefore may lead to more accurate results.

The assessable square footage calculations by Development Services should agree with the County Assessor's, given that both entities indicate basing their calculations on the building plans submitted by the architect/developer. In practice, however, the calculations do not always agree.

The RMA clearly specifies that City building permits should be used in determining a property's land use class and special tax levy. Debt Management and the special tax consultant were consistent in their application of this procedure. Debt Management stated neither Debt Management nor the Special Tax Consultant have jurisdiction over the maintenance of the City building permit system and cannot calculate square footage for City issued permits.

When inaccurate assessable square footage calculations are input into an original building permit it may cause an error in the tax levy calculation. Compounding the issue, representatives from Development Services stated that it is not uncommon for assessable square footages to be changed after the original building permits are issued. Currently, there are no procedures in place for Development Services to notify Debt Management or the special tax consultant when changes are made to correct

building permits. There is also no control contemplated to ensure that when inaccuracies or discrepancies are identified in the original building permits that the special tax levy be corrected. These issues and potential outcomes are described in greater detail below.

City Procedure to Determine Assessable Square Footage Used for CFD Levies May Be Prone to Potential Inaccuracies

Development Services stated that the calculation of the assessable square footage is a “peripheral” responsibility of the agency. Its primary duty is the issuance of the building permit as a tool to allow developers to begin construction of new projects. The department also asserts that it is legally required to include in a building permit an assessable square footage calculation for the purpose of assessing school fees based on State law. Development Services officials stated the calculation is not used by Development Services in the performance of its primary duties and therefore they are not inclined to expend resources to ensure its accuracy.

We determined that potential inaccuracies in calculating square footages subject to a special tax levy take two main forms: (1) data entry errors, and (2) incomplete information about actual assessable square footage.

Potential Data Entry Inaccuracies

According to Development Services, property information including square footage information is obtained when developers submit master plans for review and approval. Development Services indicates that these master plans contain floor plans for each structure, including a square footage measurement for different model homes and different floor area options for each model home.

Additionally, Development Services indicates that typically, a developer applies for and obtains building permits at the same time the master plan applications are submitted. Furthermore, Development Services notes that the floor plans and specifications in the master plan serve as the foundation of information for the building permits.

Whenever a building permit is issued, there is a possibility of data entry inaccuracies, either from a typographical error or from a City employee entering incorrect figures from the master plan to the construction permit. After the initial building permit is issued, but before the actual new home construction, subsequent construction permits are issued for options, and there is another possibility for data entry inaccuracies. It is also possible that the

CFD Consultant could enter incorrect figures in the parcel database. For example, **Exhibit 2** below is an example of a potential data entry error:

Exhibit 2

Example of Assessable Square Footage Discrepancy and Potential Error

| Property APN | Description of Potential Error |
|---------------|---|
| 267-312-06-00 | <p>Development Services provided OCA a Parcel Information Report that listed APN 267-312-06-00 assigned as Lot 51 and listed the owners of the parcel. This APN and owner information comports with Tax Assessor Records. Development Services issued a building permit on February 17, 2006 which listed the residence on Lot 51 at address 15575 Rising River S Pl with an assessable space of 3,951 square feet. According to the building permit, the project was listed "Completed" on October 3, 2006. The permit provided by Development Services to OCA was printed on August 5, 2013.</p> <p>The San Diego County Assessor created a Residential Building Record in October 2006 which included an assessable space of 3,951 square feet.</p> <p>David Taussig & Associates input 3,195 square feet in its parcel database. The basis for this square footage is a building permit provided to OCA by Debt Management which listed the residence on Lot 51 at address 15575 Rising River S Pl with an assessable space of 3,195 square feet. The permit that Debt Management provided to OCA was printed in June 27, 2007.</p> |

Source: Development Services Department-issued building permits, San Diego County Assessor’s Office-issued Residential Building Reports, and David Taussig & Associates-created Parcel Database.

DTA conducted an investigation and found three data error entries, which resulted in inaccurate land use classifications that were found and corrected. DTA’s investigation was initiated at the request of Debt Management subsequent to media inquiries about potential special tax inaccuracies. According to Debt Management, two errors were related to DTA data entry and the third resulted from an error in the Development Services assessable space calculation in a building permit.

For the 88 residential units we examined in CFD 4 – Zone 2, we also discovered 13 discrepancies between the parcel numbers, addresses, and lot numbers listed on the building permits when compared to the parcel numbers, addresses, and lot numbers listed on Development Services Parcel Information Report. Development Services management stated that lot numbers, addresses, and parcel numbers change at different points throughout the process of developing master planned communities. When we attempted to reconcile these

discrepancies, we received conflicting information from different Development Services staff. These discrepancies may have led to inaccurate assessable space square footage calculations by DTA as described below.

*Incomplete Information
about Actual Assessable
Square Footage*

The potential data entry errors discussed above are potentially less consequential than Development Services' practice to not record changes that arise when home buyers select optional floor plan into one central building permit. We found cases where the special tax consultant's review focused solely on the original building permit and did not include subsequent permits issued during original construction of the home.

*New Homebuyer Selects
Options that Increase
Assessable Square Footage*

According to Development Services, developers typically submit building permit applications when they submit master plans for their development, and they base the application on the square footage on the model home plans available for homebuyers. Additionally, Development Services indicates that when shopping for a home in a new development, a buyer may decide to customize the model home by choosing from one of several options the developer offers for that particular model. An example of such an option is the conversion of a garage space in the model home into an additional bedroom. Such a selection will increase assessable square footage because a bedroom falls into the definition of assessable space, whereas garage space does not.

According to Development Services, the developer was historically not required to submit a new building permit application,⁵ and it is therefore a possibility that residential square footage is not being accurately recorded. Development Services also notes that as long as the constructed home conforms to the master plans (and the master plans show the various options), the house is in compliance with building codes despite the fact that exercising an option may either increase or decrease the square footage originally listed. As a result, the assessable square footage recorded on the original building permit is based on the plan type. This omission, in turn, may potentially lead to inaccurate special tax levies.

⁵ If a developer does submit information concerning the option, Developmental Services issues a second building permit.

*Homeowner Options
During New Home
Construction Increase
Assessable Space*

In instances where developers notify Development Services when options selected by a buyer are to be included in the new home construction, there is no process for including the additional assessable square footage into the original building permit. Instead, a second building permit is generated, meaning there are two separate building permits. This creates the potential for inaccurate levies because, in certain instances, the special tax consultant did not add the option described in the second building permit into the assessable square footage. We identified instances in which such options were reflected in the County Assessor's records, but not in DTA's.

**County Assessor
Procedures to Determine
Assessable Square
Footage May Lead to
More Complete and
Accurate Information**

Compared to the City's procedures discussed above, the County Assessor's procedures appear to provide for a more detailed approach to appraising and updating square footage figures when new building permits are issued. As a result, square footage assessments may more accurately reflect original construction as part of new developments. The County Assessor, like Development Services, receives a copy of plans for the construction of each home from a project developer or architect. According to the County Assessor's Office, staff duplicates the floor plan of each home by taking the floor plan and drafting a rendering in a "Residential Building Record" to calculate the square footage. Additionally, the County Assessor's Office indicates that the benefit of its system is that all options on a project are re-copied from the building plans ensuring that all assessable space is captured and the appropriate special tax is levied. In contrast, Development Services does not have a procedure to capture this data on one centralized document; rather, a second building permit is issued. According to Development Services, the department does not have a business need and is not required by the state to capture all the information with respect to the construction of a home on one single document because the new permit information is updated and recorded in their project tracking system.

In order to ensure assessable square footage changes resulting from options are captured, the County Assessor receives a weekly report from Development Services listing all new building permit activity within the City. When the County Assessor receives the report and determines a new permit has been issued for a home under construction, a staff member will pull the Residential Building Record for the property and make additions to the

rendering and change the assessable square footage commensurate with the change in assessable square footage. Thus, there is one Residential Building Record for each property that contains the actual assessable square footage in one document. **Exhibit 3** below is an example of an option not being accounted for in the City’s assessable square footage assessment which was captured by the County Assessor.

Exhibit 3

Example of Assessable Square Footage Discrepancy and Potential Error

| Property APN | Description of Potential Error |
|---------------|--|
| 267-310-17-00 | <p>Development Services issued a building permit on May 12, 2008, which included an assessable square footage of 4,197 square feet and which noted the project was "Completed" on November 12, 2008. Development Services issued another building permit on September 19, 2008 (two months before the project was completed), which included an assessable square footage of 77 square feet for "the conversion of part of the second floor deck to an optional exercise room at a single family residence currently under construction." This option appears to have been included in the original construction of the home as an option and was not included in the assessable square footage.</p> <p>The County Assessor created a Building Residential Record in April 2007 which did not include the new exercise room but updated the record in November 2008 to include the assessable space to a total of 4,275 square feet.</p> <p>David Taussig & Associates input 4,197 square feet in its parcel database.</p> <p>This is an example of an option chosen during new home construction for which Development Services issued a second building permit. As a result, this option was not captured and used in the assessment calculation by the City’s special tax consultant.</p> |

Source: Development Services Department-issued building permits, San Diego County Assessor’s Office-issued Residential Building Records, and David Taussig & Associates-created Parcel Database.

Potentially Inaccurate Tax Assessments Identified for 22 Homes Reviewed in CFD 4

We compared City and County Assessor records used to calculate assessable square footage and found many discrepancies for the homes we examined. Our analysis covered 306 residential units in CFD 4.⁶ Of these 306, we identified discrepancies between the City’s and County Assessor’s calculations in the amount of assessable square footage reported in 252 instances (see **Appendix E**). Most of the discrepancies we identified in assessable square footage were not large enough to translate into a difference in the amount of special tax a homeowner would have

⁶ We reviewed all residential units in CFD 4, Zones 1 and 2, except for units designated as affordable housing. We excluded these units because these homes are assigned a fixed special tax.

paid. For example, in CFD 4 - Zone 1 we reviewed 218 parcels and found 218 discrepancies between the assessable square footage calculation of the special tax consultant and the County Assessor’s Office but only nine of them resulted in potentially inaccurate special tax levies.

However, for the 306 parcels we analyzed in CFD 4, including both Zone 1 and Zone 2, we found potential inaccuracies in the assessable square footage for 22 homes (6.3 percent) that were significant enough to raise or lower a homeowner’s annual special tax levy. Tax amounts were affected if the discrepancies were large enough to move the home into a different land use category (see **Appendix D** for the land use category amounts).

For the 22 homes that may be affected, there is a potential overcharge in 10 instances, and a potential undercharge in 12 instances. The 10 homeowners with potential overcharges may have paid a total of \$5,217.74 too much in tax year 2013—about \$521.77 per home. The 12 homeowners with potential undercharges may have paid a total of \$13,073.73 too little in tax year 2013—about \$1,089.48 per home. **Exhibit 4** below summarizes these results.⁷

Exhibit 4

Summary of CFD 4 Review

| Total Number of Homes Reviewed | Number of Homes Potentially Overcharged | Total Amount of Potential Overcharge | Average Potential Overcharge per Home | Number of Homes Potentially Undercharged | Total Amount of Potential Undercharge | Average Potential Undercharge per Home |
|--------------------------------|---|--------------------------------------|---------------------------------------|--|---------------------------------------|--|
| Zone 1 | | | | | | |
| 218 | 7 | \$2,089.43 | \$298.49 | 2 | -\$384.59 | -\$192.30 |
| Zone 2 | | | | | | |
| 88 | 3 | \$3,128.31 | \$1,042.77 | 10 | -\$12,689.14 | -\$1,268.91 |
| Both Zones | | | | | | |
| 306 | 10 | \$5,217.74 | \$521.77 | 12 | -\$13,073.73 | -\$1,089.48 |

Source: OCA analysis of Development Services Department-issued building permits, San Diego County Assessor’s Office-issued Residential Building Records, and David Taussig & Associates-created Parcel Database.

More specifically, the 22 potential errors can be broken down into the following categories:

- Nine inconsistencies and potential errors in the calculation of Chargeable Square Footage in Building Permits;

⁷ See Appendix E for a home-by-home breakdown of the tax inaccuracies.

- Six inconsistencies and potential errors in the data collection in Parcel Information Reports and Building Permits;
- Three potential oversights in the calculation of assessable square footage by overlooking option building permits issued during new home construction that increased assessable square footage of home; and
- Four inconsistencies and potential errors in assessable square footage of unknown origin.

The consequence of the inaccuracies identified above is that some properties are potentially classified in a higher or lower tax bracket than they should be, and that the owners of these properties are therefore potentially paying more or less than they should in special tax levies based on the actual square footage of the originally constructed residence.

It is important to note that only CFD 4 was selected for our sample testing. The scope of our work did not include reviewing any of the other CFDs in the City to determine if similar potential over-assessments and under-assessments occurred. However, given that square footage assessments in those CFDs were based on the same data and assessment methodology, there is reason to conclude the results could be similar.

**Potential Inaccuracies in
Tax Assessments Should
be Reviewed and
Resolved**

According to the City Attorney's Office, inaccuracies in assessable square footages on building permits should be corrected to reflect the accurate assessable square footage of the home and corresponding changes should be made to the CFD special tax levy amounts where applicable. As such, Development Services should review the 22 potential errors identified by OCA located in CFD 4. Development Services should also reconcile the City's and County Assessor's square footage records for CFD 1, 2 and 3 properties. Where discrepancies are significant enough to change the tax levy amount, efforts should be made to recalculate square footages, and correct the assessable square footage in the City's building permit when errors are identified. These updated permits should be sent to Debt Management and the Special Tax Consultant. Debt Management should then direct the City's Special Tax Consultant to make corresponding changes to the parcel database and special tax rates to homeowners in existing CFDs.

**Collection or Refund of
Special Tax from
Homeowners Charged
Inaccurate Rates**

If it is determined that square footage calculation inaccuracies need to be corrected and changes to special tax rates be commensurately made, an issue arises concerning taxes paid or unpaid in previous years. There is likely a statute of limitation issue raised concerning how many years worth of past uncollected or overpaid taxes would be recoverable or refunded by the City for the CFDs. We recommend that Debt Management consult with the City Attorney's Office to determine whether CFD residents who were charged inaccurate special tax levies should be refunded potential overpayments or required to pay any potential undercharged amount.

**Costs for Reconciliation
of Building Permits in
Existing CFDs**

According to Development Services, the department will seek to require the homeowners to pay for this service or the funds should come from a different source since DSD is an enterprise fund department and must be cost recoverable. Additionally, this would require a site inspection which may uncover illegal alterations to the homes and may require further enforcement action.

As a potential alternative funding source, according to the RMA, the Administrative Expense fund is used to pay for "actual or reasonably estimated costs" related to the "cost of computing Special Taxes." A nexus may exist between work related to correcting building permits and the correct levy of special taxes. However, it appears inequitable to force the homeowners in the CFDs to pay additional funds to correct errors resulting from inadequate procedures in calculating square footages. We recommend that Debt Management consult with the City Attorney's Office to determine the most prudent course.

Recommendation #1 We recommend the following steps to ensure homeowners in CFDs are properly assessed:

- a. Development Services should review the 22 potential errors identified by OCA located in CFD 4. Development Services should also reconcile the City's and San Diego County Assessor's square footage records for CFD 1, 2 and 3 properties. Where discrepancies are significant enough to change the tax levy amount, efforts should be made to recalculate and correct square footages, correct the assessable square footage in the City's building permit. These updated permits should be sent to Debt Management and the Special Tax Consultant.
- b. Debt Management should then direct the City's special tax consultant to make corresponding changes to the parcel database and special tax rates to homeowners in existing CFDs. For these changes, Debt Management should consult with the City Attorney's Office to determine whether CFD residents who were charged inaccurate special tax levies should be refunded potential overpayments or required to pay any potential undercharged amount.
- c. Debt Management should establish a policy for future CFDs to change the Rate and Method of Apportionments (RMA) to specify that the special tax consultant must reconcile the square footage recorded in the database for the special tax assessment that is based on City permit records with the square footage recorded with the San Diego County Assessor's Office to verify accuracy. (Priority 2)

Finding 2: Process for Handling Appeals of Community Facilities District Tax Levies Could Be Improved

We found that the City's process for handling homeowner and property owner appeals of special tax levies may be unclear to residents paying the special tax. When taxpayers appeal the amount of special taxes levied, the agency overseeing the adjudication should set forth a clear and well defined procedure that ensures fairness and transparency. Other jurisdictions we examined had more clearly delineated processes in place. We recommend that the City Council take steps to improve the process.

The City's Appeals Process

For Community Facilities District (CFD) 4, the Rate and Method of Apportionment (RMA) document (described in the Background section) establishes a procedure for appealing tax levies. The appeals process consists of two levels as follows:

- A landowner, resident or their agent can submit a written appeal to a position called a CFD Administrator, specifying the reasons why the CFD tax amount is in error. The CFD Administrator reviews the appeal and meets with the property owner if necessary. If the CFD Administrator agrees with the property owner, the CFD Administrator will recommend a change to eliminate or reduce the CFD tax amount and/or provide a refund to the property owner. The City Manager or designee has to approve the recommendation before any refund or change in tax amount can occur.
- If the property owner disagrees with the CFD Administrator's decision, the property owner can appeal the decision directly to the City Manager (or the City Manager's designee) by filing a written notice of appeal within 30 days specifying the reasons for disagreement with the CFD Administrator. The City Manager or designee will review the appeal and make a final decision.

While Debt Management has processed homeowner appeals to the satisfaction of appellants, in practice, the City has not strictly adhered to this process to review and decide appeals. According to David Taussig & Associates, Inc. (DTA), the City's former special tax consultant, there is no CFD Administrator responsible for

overseeing key administrative duties for the process. Furthermore, even if the City had a designated CFD Administrator, the process itself might be inconsistent from case to case because according to DTA, the specific mechanics of the appeal process are not clearly spelled out.

- **Key position has never been filled:** Although the appeals policy calls for appeals to be adjudicated by a CFD Administrator, the City has never designated anyone to fill this role. Appointment of a CFD Administrator is a requirement set forth in the RMA documents, but this requirement has never been met.
- **Roles in policy's second level has not historically been clearly delineated:** Even if the City had a CFD Administrator in place so that its stated appeals policy could be carried out, vagueness in the policy's procedures for appealing the CFD Administrator's rulings would leave it vulnerable to being inconsistently administered. For example, the no procedural framework exists to delineate specific duties, provide a specific procedural framework, and define a specific role for the City Attorney or outside counsel to provide legal review.

As described in greater detail below, Debt Management stated it has adhered to an internal procedural process in all appeals. This process has, after the start of this audit, been posted to the Debt Management website in order to provide publicly available access to homeowners.

The Appeals Process Used By the City

The City has recently issued a set of written rules outlining the procedures for adjudicating a homeowner appeal or levied special taxes. These rules have been recently been issued publicly on Debt Management's website. However, through early 2014, the City has used an approach that had not been codified or publicly issued, which had potential limitations. According to Debt Management, since 2006, the City has followed a formal, deliberate, and consistent appeals process involving the Special Tax Consultant, Debt Management, the City Attorney's Office, and the Chief Financial Officer to ensure a full vetting of all of the evidence. A homeowner's final appeal determination is decided by the City's Chief Financial Officer. It should be noted that in the event the homeowner is denied or disagrees with the CFO's appeal decision, per the RMA and Debt Management's guidelines, the homeowner may submit a secondary appeal within 30 days. However, that appeal is directed back to the Chief Financial

Officer. In other words, the homeowner will be submitting an appeal to the same officer that made the decision on the initial appeal. As a result, the City's current process does not allow for any independent review of the homeowner appeals, unlike some of the other jurisdictions we reviewed.

We should note that we did not find any impropriety or any incorrect handling of the appeals process. However, we did find that compared to other municipalities that have CFDs, the City's appeal policy was vague and lacked a clear, transparent procedural framework.

Other limitations with the current process are its lack of transparency and visibility to the public. In appeals cases, the City Attorney was consulted and the City's Chief Financial Officer approved the final appeals decisions. However, there is no set of rules that require a publicly issued appeals rulings describing the decision. Through early 2014, the City had also not made the appeals process clear to property owners, formalized it through a publicly accessible process or procedural narrative, or made public the appeals decisions so that homeowners and property owners have access to the information.

These limitations may cause uncertainty over how to file CFD tax challenges and how the procedure works. This is evidenced by one property owner communication seeking to appeal a special tax levy while seeking to locate information on how the appeals process functions, and obtain information about the timeframes involved for the adjudication of the appeal.

Debt Management stated that the City has conducted a process in accordance with the appeals provisions specified in the RMA. Specifically, Debt Management stated the process involves the following steps: (1) the City's Special Tax Consultant conducts an initial assessment of the appeal and makes a recommendation to the City; (2) Debt Management reviews the appeal in collaboration with the City Attorney's Office and, if needed, outside CFD legal counsel; (3) a City staff recommendation is made to the CFO; and (4) the CFO makes a determination in writing.

While this may be the process that is followed by the City, before 2014, there were no documented procedures that laid this process out formally and this procedure was not available in written format to members of the public. As discussed in greater detail below, this is inconsistent with how many other municipalities

Other Jurisdictions Studied Generally Have Clearer Procedures in Place

and public agencies formalize and conduct an appeals process. Many of these municipalities have appeals applications available to the public on its websites and lay out clear, step-by-step procedures for the adjudication of an appeal.

We reviewed the appeals procedures for five public agencies that have established CFDs and have administered special taxes on the residents of the district.⁸ In all but one, we found an established process adopted by the legislative body of the CFD which outlines a set of procedures for the establishment of an Appeals Board, the appointment of officers to the Appeals Board, and the procedural sets for filing and adjudicating a special tax appeal. Many jurisdictions follow a two-step approach for adjudicating the appeals that is similar to the process specified in the City's RMAs. The main difference is that the second level of the appeals process—the level dealing with an appeal of the administrative officer's decision—is more detailed and formalized in other jurisdictions and is also available to the public.

In most jurisdictions that we reviewed, the second-level appeal is heard before an appeals board, made up of either staff representatives of the municipality or legislative body appointees. The jurisdictions, in rules and procedures, state that the function and authority of the board is limited to adjudicating issues pertaining to special tax levy. For example:

- The County of Riverside's appeals procedure calls for the establishment of a "Special Tax Review Board" for which each member of the Board of Supervisors will appoint one individual to serve as their representative;
- The City of Fremont appoints an appeals board consisting of the Director of Public Works, the Director of Finance, and a representative of the City Attorney's Office;
- The Sweetwater Union High School District's appeal procedure provides that an appeal panel of three members, appointed by the School District, determines the veracity of the appeal and forwards a recommendation to the School Board of Education;
- The Mountain Recreation and Conservation Authority's (Authority) appeal procedure calls for all appeals to be heard by the Authority's Governing Board; and

⁸ The five agencies are Sweetwater Union High School District; Mountain Recreation and Conservation Authority (SCI Consulting Group); City of Fremont; and the Santa Clara County Library District. See Appendix F for more detailed information.

- The County of Santa Clara Library District has an Authority Appeals Board which has the same members as the County of Santa Clara Library District Authority Board.

Many of the jurisdictions we reviewed issue rules for quasi-judicial hearing procedures where separate motions are filed by the appellant and the CFD Administrator, oral testimony is provided, and rules governing acceptable types of evidence permitted. In jurisdictions that provide for this type of hearing procedure, hearings are typically tape recorded, noticed and open to the public, and publicly available written decisions are issued.

Jurisdictions we researched have also provided procedures to ensure that legal counsel are provided to the CFD Administrator is separate from legal counsel provided to the Appeals Board. In other words, the CFD Administrator will have a different lawyer than the Appeals Board.

We believe that these formalities are important as they serve to inform other property owners who may be facing similar questions about their own tax situations as well as improving the quality of the decision-making process governing appeals by establishing precedent. The recommendation below is designed to address current limitations and create a program with clearer procedures.

Recommendation #2

Debt Management in consultation with the City Attorney's Office should bring before City Council, acting as the Legislative Body of each of the CFDs, a formal appeals process for CFD taxes for review and approval. The appeals process should include all of the following elements:

- **Define and assign decision-making responsibilities.**
- **Establish specific procedural steps for the filing and responses to appeals, rules for hearings including notice and evidentiary standards, and rules for the issuance and public release of rulings.**
- **Require all appeal requests be reviewed by a City attorney.**

The approved appeal procedures should be communicated to residents of the CFDs who pay special taxes. (Priority 3)

Conclusion

The City of San Diego has adopted the use of Mello-Roos financing for the construction of public improvements in new development projects. Given that this tax is assigned to all new homeowners in these developments, this audit sought to determine whether this special tax is being accurately levied.

As a result, we found some problems exist in the procedures to calculate the amount of assessable square footage used in establishing each home's special tax levy amount. We found that the City would benefit from utilizing the San Diego County's data to check the accuracy of the square footage used for assessment purposes. By using the County Assessor's square footage data to verify the City's special tax calculations and making corrections when necessary, taxpayers can be ensured that they are being accurately assessed.

Second, this audit sought to determine if homeowners have been provided with a clearly communicated and procedurally sound appeals process when they believed their tax amount may be incorrect. We found that Debt Management has adjudicated all appeals submitted to the satisfaction of the homeowners, and has taken steps to make their appeals procedure more transparent. However, when compared to other municipalities, we found that these steps could be improved.

The City's ability to oversee the operations of the CFDs is, in part, dependent on its ability to oversee the accurate assessment of special tax levies. Through better coordination and planning, the City departments tasked with overseeing CFDs can help to reduce potential errors and ensure a high degree of accuracy.

Recommendations

Recommendation #1 We recommend the following steps to ensure homeowners in CFDs are properly assessed:

- a. Development Services should review the 22 potential errors identified by OCA located in CFD 4. Development Services should also reconcile the City's and San Diego County Assessor's square footage records for CFD 1, 2 and 3 properties. Where discrepancies are significant enough to change the tax levy amount, efforts should be made to recalculate and correct square footages, correct the assessable square footage in the City's building permit. These updated permits should be sent to Debt Management and the Special Tax Consultant.
- b. Debt Management should then direct the City's special tax consultant to make corresponding changes to the parcel database and special tax rates to homeowners in existing CFDs. For these changes, Debt Management should consult with the City Attorney's Office to determine whether CFD residents who were charged inaccurate special tax levies should be refunded potential overpayments or required to pay any potential undercharged amount.
- c. Debt Management should establish a policy for future CFDs to change the Rate and Method of Apportionments (RMA) to specify that the special tax consultant must reconcile the square footage recorded in the database for the special tax assessment that is based on City permit records with the square footage recorded with the San Diego County Assessor's Office to verify accuracy.
(Priority 2)

Recommendation #2 Debt Management in consultation with the City Attorney's Office should bring before City Council, acting as the Legislative Body of each of the CFDs, a formal appeals process for CFD taxes for review and approval. The appeals process should include all of the following elements:

- Define and assign decision-making responsibilities.
- Establish specific procedural steps for the filing and responses to appeals, rules for hearings including notice and evidentiary standards, and rules for the issuance and public release of rulings.
- Require all appeal requests be reviewed by a City attorney.

The approved appeal procedures should be communicated to residents of the CFDs who pay special taxes. (Priority 3)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

| Priority Class ⁹ | Description ¹⁰ | Implementation Action ¹¹ |
|-----------------------------|--|-------------------------------------|
| 1 | Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. | Immediate |
| 2 | A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist. | Six months |
| 3 | Operation or administrative process will be improved. | Six months to one year |

⁹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

¹⁰ For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

¹¹ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

Appendix B: Audit Objectives, Scope, and Methodology

Objectives In accordance with the City Auditor's Fiscal Year 2014 Revised Work Plan, we conducted an audit of the Community Facilities Districts (CFD) taxes. This audit was requested by Councilmember Kersey after a local media outlet reported that some property owners were being overcharged on CFD taxes. We concentrated our efforts on understanding the processes and data flow when computing CFD taxes. We focused our testing on CFD No. 4 for the period covering 2013 – 2014 Tax Levy Year. Our audit objectives were to:

- 1) Determine whether special tax levies have been accurately levied, and
- 2) Evaluate the adequacy of controls over the processes for determining, collecting, and transferring special taxes.

Scope and Methodology To determine whether special tax levies have been accurately levied, we met with managers and staff from the City's Debt Management and Development Services departments, the San Diego County Auditor & Controller, the San Diego County Tax Assessor, as well as the consultant hired by the City (Consultant) to administer the CFD program. We interviewed staff to learn about property records, information technology systems, and the data exchanges and other communications amongst them. We also sampled property records and compared square footage information across the various entities.

To evaluate the adequacy of controls over the processes for determining, collecting, and transferring special taxes, we talked to staff from the entities mentioned above about all known problems. We reviewed the practices of the Debt Management Department and the Consultant to determine whether they conformed with the procedures set forth in the Rate and Method of Apportionment (RMA).

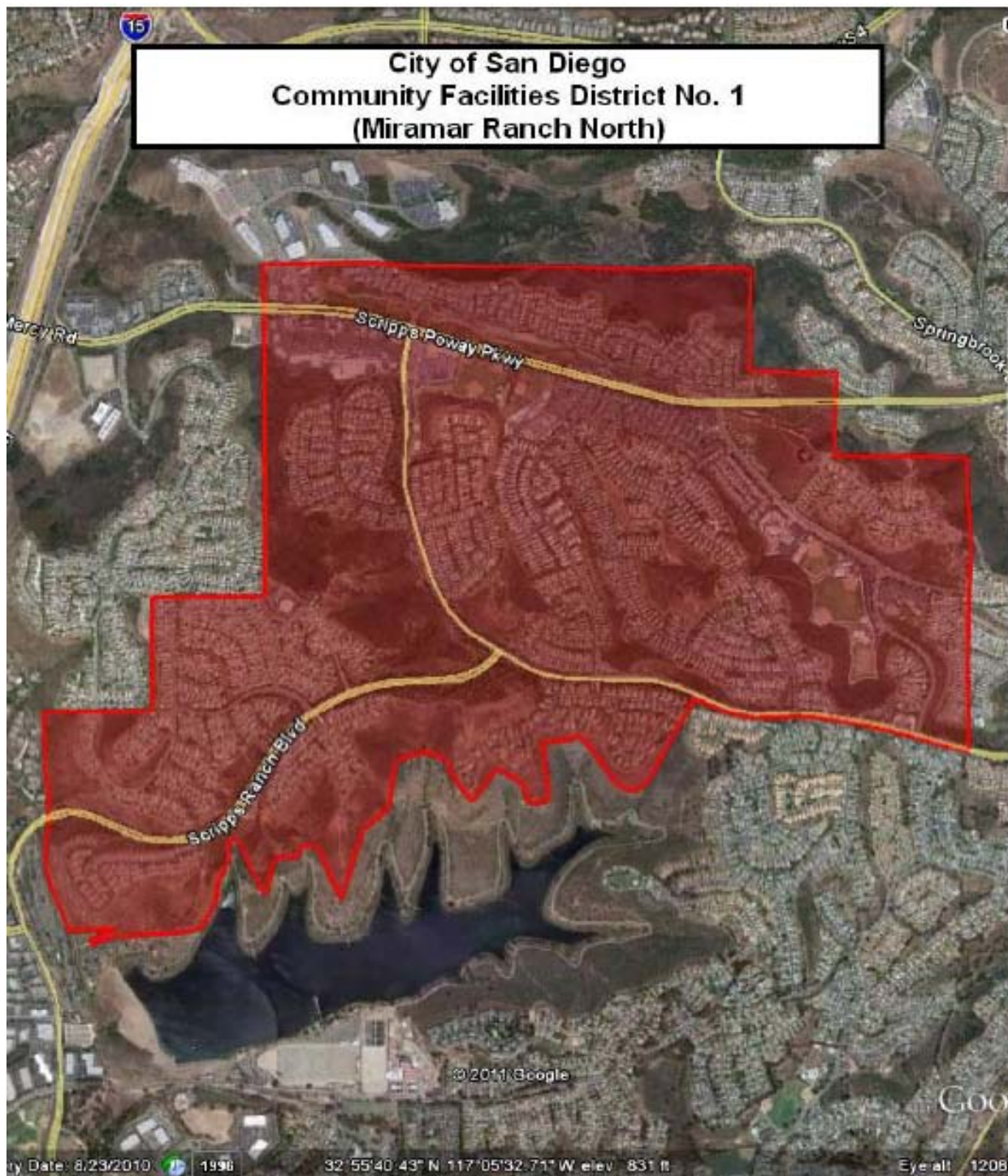
We compared the square footages computed by the San Diego County Assessor's Office (County Assessor) against the square footages as recorded by David Taussig & Associates, Inc. (DTA), the City's Special Tax Consultant, whose work was overseen by the City's Debt Management Department (Debt Management). We also reviewed a series of reports issued by DTA pertaining to work administering the CFDs in the City.

We also compared the square footages computed by the County Assessor against the square footages as calculated by DSD, and by DTA and Debt Management. Since the sources for property records at the County Assessor are the same building plans used by DSD, the County Assessor's records should agree with DTA's records, whose source of records is also DSD plans and building permits.

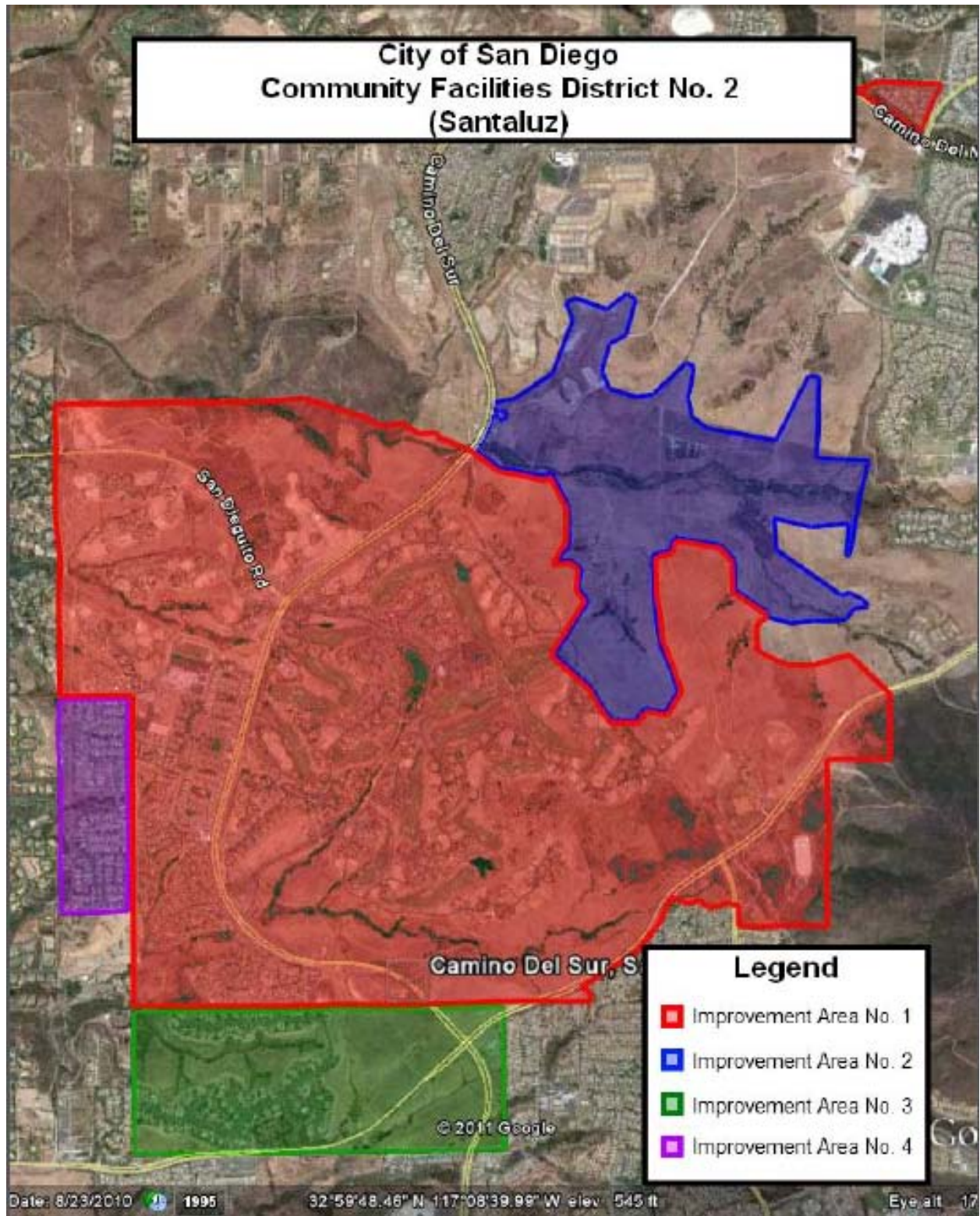
We reviewed the appeals procedures for five public agencies that have established CFDs and have administered special taxes on the residents of district.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

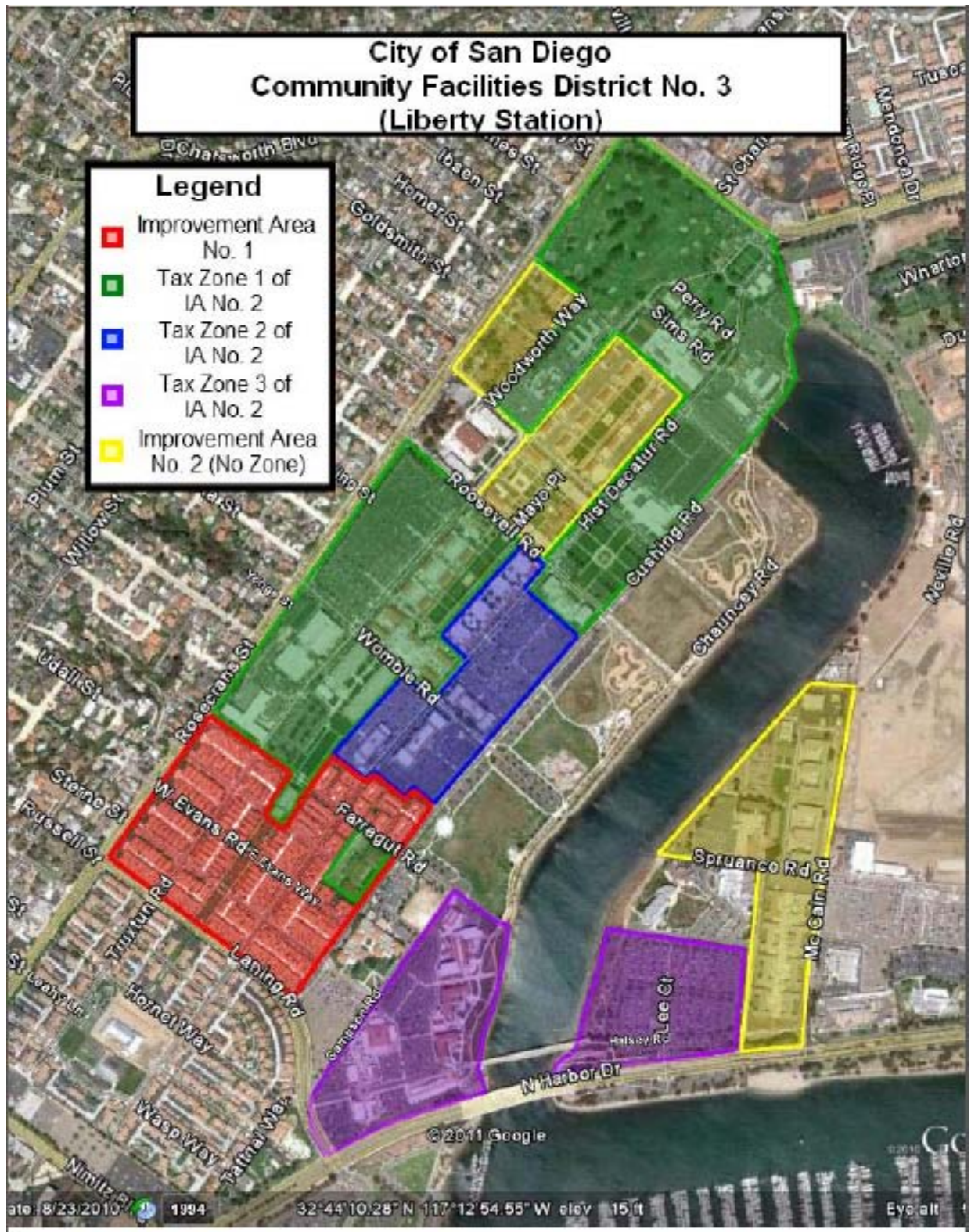
Appendix C: Community Facilities Districts Maps



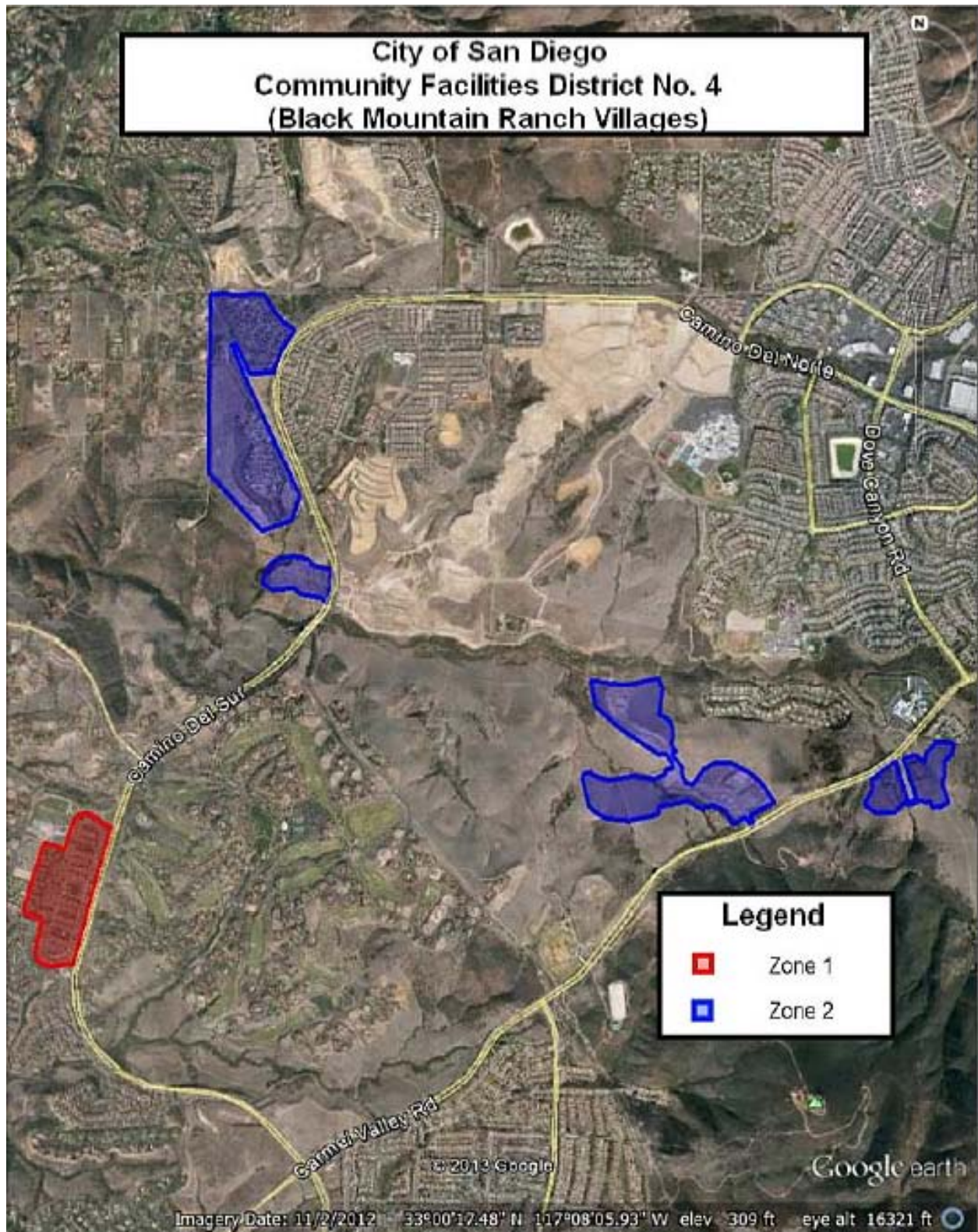
Source: Community Facilities District No. 1 Administration Report Fiscal Year 2013-2014



Source: Community Facilities District No. 2 Administration Report Fiscal Year 2013-2014



Source: Community Facilities District No. 3 Administration Report Fiscal Year 2013-2014



Source: Community Facilities District No. 4 Administration Report Fiscal Year 2013-2014

Appendix D: Land Use Tables in Community Facilities District 4 Rate and Method of Apportionment

TABLE 1
Assigned Special Taxes for Developed Property
Community Facilities District No. 4
Zone 1

| <i>Land Use Class</i> | <i>Land Use</i> | <i>Residential Floor Area/Description</i> | <i>Assigned Special Tax</i> |
|-----------------------|--------------------------|---|--|
| 1 | Residential Property | <= 1,500 sq. ft. | \$1,124.13 per unit |
| 2 | Residential Property | 1,501 to 1,750 sq. ft. | \$1,393.64 per unit |
| 3 | Residential Property | 1,751 to 2,000 sq. ft. | \$1,663.15 per unit |
| 4 | Residential Property | 2,001 to 2,250 sq. ft. | \$1,932.66 per unit |
| 5 | Residential Property | 2,251 to 2,500 sq. ft. | \$2,202.17 per unit |
| 6 | Residential Property | 2,501 to 2,750 sq. ft. | \$2,500.02 per unit |
| 7 | Residential Property | 2,751 to 3,000 sq. ft. | \$2,817.53 per unit |
| 8 | Residential Property | 3,001 to 3,250 sq. ft. | \$2,936.92 per unit |
| 9 | Residential Property | 3,251 to 3,500 sq. ft. | \$3,298.83 per unit |
| 10 | Residential Property | 3,501 to 3,750 sq. ft. | \$3,597.32 per unit |
| 11 | Residential Property | 3,751 to 4,250 sq. ft. | \$3,683.42 per unit |
| 12 | Residential Property | 4,251 to 4,750 sq. ft. | \$4,475.93 per unit |
| 13 | Residential Property | 4,751 to 5,250 sq. ft. | \$5,268.44 per unit |
| 14 | Residential Property | 5,251 to 5,750 sq. ft. | \$6,060.95 per unit |
| 15 | Residential Property | 5,751 to 6,500 sq. ft. | \$6,853.46 per unit |
| 16 | Residential Property | 6,501 to 7,250 sq. ft. | \$8,042.22 per unit |
| 17 | Residential Property | 7,251 to 9,250 sq. ft. | \$9,230.99 per unit |
| 18 | Residential Property | > 9,250 sq. ft. | \$12,399.44 per unit |
| 19 | Residential Property | Affordable Units | \$100.00 per unit |
| 20 | Non-Residential Property | Not Applicable | \$0.0500 per square foot of Non-Residential Floor Area |

TABLE 2
Assigned Special Taxes for Developed Property
Community Facilities District No. 4
Zone 2

| <i>Land Use Class</i> | <i>Land Use</i> | <i>Residential Floor Area/Description</i> | <i>Assigned Special Tax</i> |
|-----------------------|--------------------------|---|--|
| 1 | Residential Property | <= 1,500 sq. ft. | \$1,331.10 per unit |
| 2 | Residential Property | 1,501 to 1,750 sq. ft. | \$1,642.32 per unit |
| 3 | Residential Property | 1,751 to 2,000 sq. ft. | \$1,953.54 per unit |
| 4 | Residential Property | 2,001 to 2,250 sq. ft. | \$2,264.76 per unit |
| 5 | Residential Property | 2,251 to 2,500 sq. ft. | \$2,575.98 per unit |
| 6 | Residential Property | 2,501 to 2,750 sq. ft. | \$3,109.50 per unit |
| 7 | Residential Property | 2,751 to 3,000 sq. ft. | \$3,442.95 per unit |
| 8 | Residential Property | 3,001 to 3,250 sq. ft. | \$3,776.40 per unit |
| 9 | Residential Property | 3,251 to 3,500 sq. ft. | \$4,109.85 per unit |
| 10 | Residential Property | 3,501 to 3,750 sq. ft. | \$4,443.30 per unit |
| 11 | Residential Property | 3,751 to 4,250 sq. ft. | \$4,776.75 per unit |
| 12 | Residential Property | 4,251 to 4,750 sq. ft. | \$6,601.61 per unit |
| 13 | Residential Property | 4,751 to 5,250 sq. ft. | \$7,644.38 per unit |
| 14 | Residential Property | 5,251 to 5,750 sq. ft. | \$8,687.16 per unit |
| 15 | Residential Property | 5,751 to 6,500 sq. ft. | \$9,729.93 per unit |
| 16 | Residential Property | 6,501 to 7,250 sq. ft. | \$11,294.10 per unit |
| 17 | Residential Property | 7,251 to 9,250 sq. ft. | \$12,858.26 per unit |
| 18 | Residential Property | > 9,250 sq. ft. | \$17,029.36 per unit |
| 19 | Residential Property | Affordable Units | \$100.00 per unit |
| 20 | Non-Residential Property | Not Applicable | \$0.0500 per square foot of Non-Residential Floor Area |

Appendix E: Comparison of the City's Development Services Department's Square Footage Calculations, San Diego County Assessor Records Square Footage Records, and Assessments David Taussig & Associates, Inc., Parcel Database

| Appendix E Tables' Legends for "Zone 1" and Zone 2" | |
|---|---|
| | No Land Use Class Change/No Overcharge or Undercharge |
| | Overcharge on Property |
| | Undercharge on Property |

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-190-01-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-02-00 | 3,610 | 3,611 | -1 | No Land Use Class Change | | |
| 303-190-03-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-05-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-190-06-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-07-00 | 3,610 | 3,611 | -1 | No Land Use Class Change | | |
| 303-190-08-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-190-09-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-10-00 | 3,778 | 3,699 | -79 | -\$86.10 | | -\$86.10 |
| 303-190-11-00 | 3,802 | 3,787 | -24 | No Land Use Class Change | | |
| 303-190-12-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-190-13-00 | 3,802 | 3,787 | -24 | No Land Use Class Change | | |
| 303-190-14-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-15-00 | 3,601 | 3,611 | 1 | No Land Use Class Change | | |
| 303-190-16-00 | 3,802 | 3,787 | -24 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-190-17-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-18-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-190-19-00 | 3,802 | 3,787 | -24 | No Land Use Class Change | | |
| 303-190-20-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-21-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-190-22-00 | 3,802 | 3,787 | -24 | No Land Use Class Change | | |
| 303-190-23-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-190-24-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-190-25-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-26-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-27-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-190-28-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-29-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-190-30-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-31-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-32-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-33-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-34-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-190-35-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-36-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-190-37-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-38-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-39-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-40-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-190-41-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-42-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-190-43-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-190-44-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-190-45-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-01-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-191-02-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-191-03-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-191-04-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-191-05-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-191-06-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-191-07-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-191-08-00 | 4,018 | 3,787 | -231 | No Land Use Class Change | | |
| 303-191-09-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-191-10-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-191-11-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-12-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-13-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-14-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-15-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-191-16-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-191-17-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-191-18-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-19-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-20-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-21-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-22-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-23-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-24-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-25-00 | 3,038 | 3,023 | -5 | No Land Use Class Change | | |
| 303-191-26-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-27-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-28-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-29-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-30-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-31-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-191-32-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-191-33-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-191-34-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-191-35-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-191-36-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-191-37-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-191-38-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-191-39-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-191-40-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-191-41-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-191-42-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-191-43-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-01-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-192-02-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-192-03-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-192-04-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-192-05-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-192-06-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-192-07-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-192-08-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-192-09-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-192-10-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-11-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-12-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-13-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-14-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-15-00 | 2,783 | 2,766 | -17 | No Land Use Class Change | | |
| 303-192-16-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-17-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-18-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-19-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-20-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-21-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-22-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-23-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-24-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-25-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-26-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-27-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-28-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-29-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-30-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-31-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-192-32-00 | 2,783 | 2,766 | -17 | No Land Use Class Change | | |
| 303-192-33-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-192-34-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-192-35-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-192-36-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-01-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-193-02-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-193-03-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-193-04-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-193-05-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-193-06-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-193-07-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-193-08-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-193-09-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-193-10-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-193-11-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-12-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-13-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-193-14-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-15-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-16-00 | 3,594 | 3,337 | -257 | -\$298.49 | | -\$298.49 |
| 303-193-17-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-18-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-19-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-193-20-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-21-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-22-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-193-23-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-24-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-193-25-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-26-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-27-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-28-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-29-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-193-30-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-193-31-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-32-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-193-33-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-193-34-00 | 3,342 | 3,575 | 233 | \$298.49 | \$298.49 | |
| 303-193-35-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-36-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-193-37-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-38-00 | 2,783 | 2,766 | -17 | No Land Use Class Change | | |
| 303-193-39-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-40-00 | 2,783 | 2,766 | -17 | No Land Use Class Change | | |
| 303-193-41-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-42-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-193-43-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-44-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-45-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-46-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-47-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-193-48-00 | 3,192 | 2,862 | -330 | Renovation | | |
| 303-193-49-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-50-00 | 2,783 | 2,576 | -207 | Renovation | | |
| 303-193-51-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-52-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-53-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-54-00 | 2,822 | 2,576 | -246 | Renovation | | |
| 303-193-55-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-193-56-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-193-57-00 | 2,588 | 2,576 | -12 | No Land Use Class Change | | |
| 303-193-58-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-59-00 | 2,696 | 2,682 | -14 | No Land Use Class Change | | |
| 303-193-60-00 | 2,867 | 2,862 | -5 | No Land Use Class Change | | |
| 303-194-01-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-194-02-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-03-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-04-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-194-05-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-06-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-07-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |

Performance Audit of Community Facilities Districts

| Zone 1 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 303-194-08-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-09-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-10-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-11-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-194-12-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-13-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-14-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-15-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-16-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-194-17-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-18-00 | 3,544 | 3,699 | 155 | No Land Use Class Change | | |
| 303-194-19-00 | 3,610 | 3,611 | 1 | No Land Use Class Change | | |
| 303-194-20-00 | 3,802 | 3,787 | -15 | No Land Use Class Change | | |
| 303-194-21-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-194-22-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-194-23-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-194-24-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-194-25-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-194-26-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-194-27-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-194-28-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-194-29-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-194-30-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-194-31-00 | 3,342 | 3,337 | -5 | No Land Use Class Change | | |
| 303-194-32-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| 303-194-33-00 | 3,117 | 3,078 | -39 | No Land Use Class Change | | |
| 303-194-34-00 | 3,038 | 3,023 | -15 | No Land Use Class Change | | |
| Totals | | | | | \$2,089.43 | -\$384.59 |

Performance Audit of Community Facilities Districts

| Zone 2 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 267-310-01-00 | 4,699 | 4,958 | 259 | \$1,042.77 | \$1,042.77 | |
| 267-310-02-00 | 3,951 | 4,169 | 218 | No Land Use Class Change | | |
| 267-310-03-00 | 4,491 | 4,490 | 1 | No Land Use Class Change | | |
| 267-310-04-00 | 3,951 | 3,951 | | | | |
| 267-310-05-00 | 4,328 | 4,197 | 131 | Renovation | | |
| 267-310-06-00 | 3,951 | 3,951 | | | | |
| 267-310-07-00 | 4,197 | 4,197 | | | | |
| 267-310-08-00 | 3,951 | 3,951 | | | | |
| 267-310-09-00 | 4,275 | 4,197 | 78 | -\$1,824.86 | | -\$1,824.86 |
| 267-310-10-00 | 4,699 | 5,699 | 1,000 | DTA Fixed | | |
| 267-310-11-00 | 3,951 | 3,951 | | | | |
| 267-310-12-00 | 4,197 | 4,197 | | | | |
| 267-310-13-00 | 4,699 | 4,699 | | | | |
| 267-310-14-00 | 4,275 | 4,197 | 78 | -\$1,824.86 | | -\$1,824.86 |
| 267-310-15-00 | 4,192 | 3,951 | 241 | No Land Use Class Change | | |
| 267-310-16-00 | 4,699 | 4,699 | | | | |
| 267-310-17-00 | 4,275 | 4,197 | 78 | -\$1,824.86 | | -\$1,824.86 |
| 267-310-18-00 | 3,951 | 3,951 | | | | |
| 267-310-19-00 | 4,699 | 4,699 | | | | |
| 267-310-20-00 | 4,197 | 4,197 | | | | |
| 267-311-01-00 | 4,491 | 4,491 | | | | |
| 267-311-02-00 | 4,699 | 4,699 | | | | |
| 267-311-03-00 | 4,491 | 4,491 | | | | |
| 267-311-04-00 | 3,951 | 3,951 | | | | |
| 267-311-05-00 | 4,699 | 4,699 | | | | |
| 267-311-06-00 | 3,951 | 3,951 | | | | |
| 267-311-07-00 | 4,958 | 4,958 | | | | |
| 267-311-08-00 | 4,491 | 4,491 | | | | |
| 267-311-09-00 | 3,951 | 3,951 | | | | |
| 267-311-10-00 | 4,699 | 4,699 | | | | |
| 267-311-11-00 | 4,491 | 4,491 | | | | |
| 267-311-12-00 | 3,951 | 3,951 | | | | |
| 267-311-13-00 | 4,699 | 4,484 | 215 | No Land Use Class Change | | |
| 267-311-14-00 | 4,413 | 4,413 | | | | |
| 267-311-15-00 | 3,951 | 3,951 | | | | |

Performance Audit of Community Facilities Districts

| Zone 2 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 267-311-16-00 | 4,275 | 4,275 | | | | |
| 267-311-17-00 | 4,699 | 4,484 | 215 | No Land Use Class Change | | |
| 267-311-18-00 | 3,951 | 3,951 | | | | |
| 267-311-19-00 | 4,491 | 4,491 | | | | |
| 267-311-20-00 | 3,951 | 3,951 | | | | |
| 267-311-21-00 | 4,197 | 4,197 | | | | |
| 267-311-22-00 | 4,958 | 4,484 | 474 | -\$1,042.77 | | -\$1,042.77 |
| 267-311-23-00 | 4,275 | 4,275 | | | | |
| 267-311-24-00 | 4,958 | 4,743 | 215 | -\$1,042.77 | | -\$1,042.77 |
| 267-311-25-00 | 4,192 | 4,192 | | | | |
| 267-312-01-00 | 3,951 | 3,951 | | | | |
| 267-312-02-00 | 4,699 | 4,484 | 215 | No Land Use Class Change | | |
| 267-312-03-00 | 4,491 | 4,490 | 1 | No Land Use Class Change | | |
| 267-312-04-00 | 4,192 | 4,169 | 23 | No Land Use Class Change | | |
| 267-312-05-00 | 4,699 | 4,484 | 215 | No Land Use Class Change | | |
| 267-312-06-00 | 3,951 | 3,195 | 756 | -\$1,000.35 | | -\$1,000.35 |
| 267-312-07-00 | 4,491 | 4,490 | 1 | No Land Use Class Change | | |
| 267-312-08-00 | 4,958 | 4,743 | 215 | -\$1,042.77 | | -\$1,042.77 |
| 267-312-09-00 | 4,699 | 4,484 | 215 | No Land Use Class Change | | |
| 267-312-10-00 | 4,197 | 4,197 | | | | |
| 267-312-11-00 | 4,699 | 4,743 | 44 | No Land Use Class Change | | |
| 267-312-12-00 | 3,951 | 3,195 | 756 | -\$1,000.35 | | -\$1,000.35 |
| 267-312-13-00 | 4,958 | 4,743 | 215 | -\$1,042.77 | | -\$1,042.77 |
| 267-312-14-00 | 4,413 | 4,413 | | | | |
| 267-380-01-00 | 5,450 | 5,450 | | | | |
| 267-380-02-00 | 5,486 | 5,145 | 341 | -\$1,042.78 | | -\$1,042.78 |
| 267-380-03-00 | 6,450 | 6,030 | 420 | No Land Use Class Change | | |
| 267-380-04-00 | 4,410 | 4,887 | 477 | \$1,042.77 | \$1,042.77 | |
| 267-380-05-00 | 5,400 | 5,398 | 2 | No Land Use Class Change | | |
| 267-380-21-00 | 6,990 | 6,990 | | | | |
| 267-380-22-00 | 5,580 | 5,400 | 140 | No Land Use Class Change | | |
| 267-381-01-00 | 5,060 | 5,060 | | | | |
| 267-381-02-00 | 4,797 | 4,797 | | | | |
| 267-381-03-00 | 4,800 | 4,800 | | | | |
| 267-381-04-00 | 4,708 | 4,708 | | | | |

Performance Audit of Community Facilities Districts

| Zone 2 | | | | | | |
|---------------|------------------------------------|----------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| APN | County Assessor - Assessable Sq Ft | DTA Residential Floor Area Sq-Ft | Difference in Sq Ft | Value of Tax Inaccuracy | Amount of Overcharge | Amount of Undercharge |
| 267-381-05-00 | 4,800 | 4,780 | | | | |
| 267-381-06-00 | 5,130 | 5,130 | | | | |
| 267-381-07-00 | 5,700 | 7,630 | 1,930 | DTA Fixed | | |
| 267-381-08-00 | 6,355 | 6,355 | | | | |
| 267-381-11-00 | 4,320 | 4,320 | | | | |
| 267-381-12-00 | 4,750 | 0 | | | | |
| 267-381-13-00 | 4,520 | 4,520 | | | | |
| 267-381-14-00 | 4,700 | 4,700 | | | | |
| 267-381-15-00 | 4,749 | 4,747 | 2 | No Land Use Class Change | | |
| 267-381-16-00 | 4,525 | 4,525 | | | | |
| 267-381-17-00 | 4,500 | 4,500 | | | | |
| 267-381-18-00 | 4,660 | 4,660 | | | | |
| 267-381-19-00 | 4,562 | 4,562 | | | | |
| 267-381-20-00 | 4,388 | 8,072 | 3,684 | DTA Fixed | | |
| 267-381-21-00 | 5,940 | 5,940 | | | | |
| 267-381-30-00 | 4,749 | 4,749 | | | | |
| 267-381-31-00 | 4,090 | 4,090 | | | | |
| 267-381-32-00 | 5,415 | 6,215 | 800 | \$1,042.77 | \$1,042.77 | |
| Totals | | | | | \$3,128.31 | -\$12,689.14 |

Appendix F: Appeals Procedures Promulgated By Public Agencies

OCA reviewed five different appeals processes established by the County of Riverside, the Sweetwater Union High School District, the Mountain Recreation and Conservation Authority, the City of Fremont, and the County of Santa Clara Library District.

County of Riverside

The County of Riverside has implemented a structured appeals process in its “Rules of Notice and Procedure of the Community Facilities District Special Tax Review Board of the County of Riverside” (Rules) which provides for the establishment of a “Special Tax Review Board” and tailored hearing rules.

The Rules call for the formation of a Special Tax Review Board to be made up of three nominees by the Riverside Board of Supervisors, which includes five members. Each Supervisor selects one candidate and the Clerk of the County of Riverside will select by lot three members to sit on the Special Tax Review Board (the Board).

The Rules limit the Board’s jurisdiction to functions which include: (1) interpret the application of the Rate and Method of Apportionment with respect to classification of parcel, and the calculation and assessment of the special tax; and (2) act in a quasi-judicial capacity and may act only in the basis of oral and written evidence presented to it for consideration.

A property owner or resident of a home located in a CFD may file an appeal for three reasons including: (1) classification of the parcel(s), and application of the Special Tax rate under the terms of the Rate and Method of Apportionment; (2) application of the Rate and Method of Apportionment; and (3) calculation of the Special Tax. In order to file an appeal, the appellant must fill a County-provided application form.

After receiving the application, the Clerk shall transmit a copy to the Administrator and select the Board member to review the appeal. The CFD Administrator will review the application and submit a report summarizing its determination in a report. An Applicant or the CFD Administrator may request a written finding of fact.

The Rules provide that all decisions of the Board shall be made by motion carried by a majority of the Board members present and voting. The County Counsel or a Deputy shall be available for all hearings to give legal advice to the Board. A different Deputy County Counsel shall be available to render legal advice to the Administrator. All proceedings of the Board shall be tape recorded.

The Rules establish the process for the hearing. First, the Clerk shall announce the number of the Application and the name of the Applicant. Second, the CFD Administrator shall present method by which the property was classified and tax assessed. Third, Applicant presents evidence. Any party

making a presentation during the hearing may call witness and be represented by legal counsel. Any affected homeowners may then present evidence. Upon completion of presentations, either party may make closing statement. Any party may request the Board permit written arguments. The hearing shall be open to public.

The Board may announce its decision at the conclusion of the hearing or it may take the matter under submission.

Sweetwater Union High School District

The Sweetwater Union High School District sets forth in its "Appeals and Interpretation Procedure" an appeals procedure for the purpose of providing a process for any property owner or resident who feels that the amount or formula of the special tax is in error to file a notice of appeal.

The appeal will be heard by an Appeals Panel consisting of three members appointed by the School District. It is unclear whether the appointing authority is the Board of Education or a high ranking official within the District bureaucracy. The procedure states that where the Appeals Panel verifies that the special tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted. The time period used for calculating a refund will be limited to three years preceding the appeal.

Mountain Recreation and Conservation Authority

The appeal process for the Mountain Recreation and Conservation Authority is less onerous and places all decision making authority with one individual.

The appeals procedures provides that any property owner within a CFD who believes that the portion of the Special Tax levied on the subject property is in error, may file a written appeal with the Executive Officer or his or her designee, appealing the levy of the special levy for the subject property.

The appeal is reviewed by the Executive Office or his or her designee. The Executive Officer or his or her designee will also, if necessary, meet with the applicant, and decide the merits of the appeal. The procedure is silent, however, on defining when a meeting with the appellant would be necessary.

Finally, the procedure provides that any dispute over the decision of the Executive Officer of his or her designee shall be referred to the Board and the decision of the Board shall be final.

City of Fremont

The City of Fremont has a Policy and Administrative Procedure for Appeals and Interpretations to provide a procedure for addressing appeals to special tax rates.

The first step in the appeals process is to file a Special Tax Appeal to the City Manager. Upon receipt of a Special Tax Appeal, the City Manager will provide written notice of the appeal to the other special tax payers within in CFD with a copy to the appellant. The notice shall include the appeal, a copy of

the appeal procedures and an invitation for interested parties to submit written information either agreeing or disagreeing with the appellant.

The City Manager is authorized to hire outside counsel to assist in its determination of the appeal and associated outside counsel costs are billed to the Administrative Fund of the CFD. The City Manager provides written notice to the appellant and the interested parties of the decision. Should the City Manager agree with the appellant, the City Manager will schedule an item on the City Council agenda and recommend that the City Council eliminate or reduce the special tax or provide for a refund to the appellant consistent with the decision.

Should the City Manager disagree with appellant, they have 30 days from the date of decision to file an appeal.

The appeal is heard by an Appeals Board comprised of the Director of Public Works; the Director of Finance; and a representative of the City Attorney's Office. For the appeal, the City Attorney is authorized to employ outside counsel with experience in community facilities districts."

The City Clerk then schedules the appeal to be heard within three weeks by the Appeals Board, as the designee of the City Council.

The Appeals Board shall conduct the hearing. The appellant first present its appeal. Then the Appeals Board shall allow any interested party to present its argument in support of or opposition to the appeal. The Appeals Board then shall allow the appellant to respond to the arguments of the Interested Parties in opposition to the appeal.

The Appeals Board may render its decision immediately following the completion of the hearing or it may take the matter under submission and render its decision at a later date. Decisions of the Appeals Board shall be final not be subject to further appeal to the City Council. The Appeals Board further instructs the CFD Administrator to take all actions necessary to implement the Appeal's Board's decision.

County of Santa Clara Library District

The County of Santa Clara Library District has implemented a structured appeals process in its "Library Special Tax Rules and Procedures Adopted by the Joint Powers Authority."

The Rules call for the memorializing of an Authority Appeals Board with which has the same members as the County of Santa Clara Library District Authority Board. The Appeals Board's Function and Jurisdiction is to determine whether a property subject to a special tax appeal is (1) located within the boundaries of the District; whether the designation of land use classification for special tax purposes is correct; and (3) whether the special tax on affected property is calculated correctly.

In order to have appeal heard by the Appeal Board, an application must be filed with the Board Clerk. The Authority shall provide forms, free of charge, on which application are to be made. The application shall include the parcel number(s) of properties affected; acreage per parcel affects; property type; Name, address and phone number of property owner/person affected or their agent; reason for appeal; and declaration of signature.

The application must be filed with the Clerk beginning October 15 but not later than January 31 of the year following the issuance of the tax bill.

Prior to file an appeal, a property owner must first submit an appeal to the County Librarian, which issues an initial determination in writing. The person affected or his agent may appeal the decision of the County Librarian to the Appeals Board.

The Clerk shall set the matter for hearing and notify the person affected in writing by personal delivery or US Mail. All hearings of the Board shall be recorded and open to the public.

From a procedural standpoint, the Board presumes that the public officials have properly performed their duties and the burden of proof is ascribed to the appellant. All decisions by the Board must be supported by the preponderance of the evidence. Written findings of fact will be prepared which shall fairly disclose the Board's findings on all material points raised in the application and at the hearing.



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: May 5, 2014

TO: Eduardo Luna, City Auditor

FROM: Lakshmi Kommi, Debt Management Director and Robert Vacchi, Development Services Director via Stacey LoMedico, Assistant Chief Operating Officer

SUBJECT: Audit on Community Facilities District (CFD) 4

Staff has reviewed the City Auditor's recommendations in the audit report examining the City's Community Facilities District (CFD) 4. The department's response to each of the audit recommendations is documented below. In addition, Attachment A and Attachment B documents Debt Management and Development Services Department's factual disagreements with certain information in the Audit Report.

Finding 1:

Recommendation 1.a.:

"Development Services should review the 22 potential errors identified by OCA located in CFD 4. Development Services should also reconcile the City's and San Diego County Assessor's square footage records for CFD 1, 2 and 3 properties. Where discrepancies are significant enough to change the tax levy amount, efforts should be made to recalculate and correct square footages, correct the assessable square footage in the City's building permit. These updated permits should be sent to Debt Management and the Special Tax Consultant."

Recommendation 1.a. Management Response: Partially agree.

Development Services Department (DSD) completed plan checking the audit sample of the 22 sites out of the 348 (6.3%) in CFD 4. The review is outlined in Attachment C. Development Services Department (DSD) staff found seven (7) instances where the County Assessor calculations matched those of DSD. Thirteen (13) sites had discrepancies attributable to the County Assessor. Further, DSD believes that the calculation on one site was misinterpreted by Audit staff and found and corrected an error on the last property but did not take it off the list as a "discrepancy."

DSD staff will evaluate the time and resources associated with a full review of nearly 5,200 parcels included in the City's districts, which were formed between 1991 and 2002. However, when weighing the resources required to do such a review of CFD 1, 2, 3 and 4 and the fact there is already a documented and well established published appeal process for homeowners to make

appeals to their property a reconciliation of the entire collection of sites appears to be unwarranted. DSD will collaborate with Debt Management and re-evaluate sites where discrepancies have been brought to the City's attention.

Recommendations 1.b.:

"Debt Management should then direct the City's special tax consultant to make corresponding changes to the parcel database and special tax rates to homeowners in existing CFDs. For these changes, Debt Management should consult with the City Attorney's Office to determine whether CFD residents who were charged inaccurate special tax levies should be refunded potential overpayments or required to pay any potential undercharged amount."

Recommendation 1.b. Management Response: Agree

If Development Services determines the building permit upon which any City administered CFD parcel was categorized contains an error and makes appropriate revisions to the permit system database, Debt Management will work closely with the City's Special Tax Consultant to make appropriate updates to the special tax database. The special tax database is maintained by the Special Tax Consultant and is based on City building permits. In addition, if it is determined the building permit corrections result in a change to the special tax categorization for the parcel according to the applicable RMA, the special tax categorization will also be modified.

Time to Implement: Debt Management and the Special Tax Consultant will make any required changes to the parcel's tax categorization within 10 business days after Development Services establishes there are differences in data points that require corrections and provides the corrected square footage for a City CFD parcel to Debt Management. The tax categorization change will also be reflected in the next annual special tax roll prepared by early July for the next tax year.

Recommendation 1.c.:

"Debt Management should establish a policy for future CFDs to change the Rate and Method of Apportionments (RMA) to specify that the special tax consultant must reconcile the square footage recorded in the database for the special tax assessment that is based on City permit records with the square footage recorded with the San Diego County Assessor's Office to verify accuracy."

Recommendation 1.c. Management Response: Agree

Debt Management agrees the structuring of RMAs for future CFDs should benefit from the practical RMA administration experience gained since the City's existing CFDs (and associated RMAs) were established between 12-24 years ago, and should consider industry standards that exist at the time of future formations. The specific nature of future proposed CFDs and the associated taxing formulas (RMAs) that would be structured for such CFDs, as well as the developments or existing communities that would be taxed, are unknown at the current time. In consultation with the City Attorney's Office, Debt Management will develop appropriate language addressing the recommendation that will be incorporated into the City's Special Districts Formation and Financing Policy (Appendix A to the City's Debt Policy) under the existing provision *A5 Tax and Assessment Allocation Formulas*.

Time to Implement: The provision described above will be included in the next Debt Policy update, which is expected to be considered by the City Council in Fiscal Year 2015.

Finding 2:

Recommendation 2:

"Debt Management in consultation with the City Attorney's Office should bring before City Council, acting as the Legislative Body of each of the CFDs, a formal appeals process for CFD taxes for review and approval. The appeals process should include all of the following elements:

- *Defines and assigns decision-making responsibilities [2a].*
- *Establishes specific procedural steps for the filing and responses to appeals, rules for hearings including notice and evidentiary standards, and rules for the issuance and public release of rulings. [2b]*
- *Require all appeal requests be reviewed by a City Attorney [2c]*

The approved appeal procedures should be communicated to residents of the CFDs who pay special taxes [2d]."

Recommendation 2. Management Response: Partially Agree

Response summary 2 a-d: A legal appeals process has been in place for each CFD since inception as part of the legal documents authorized by the City Council when each of the districts was formed. Since 2006, the City Attorney's Office has reviewed and advised on all appeals and drafted all legal documents and agreements deemed necessary in connection with the appeals (appeals prior to 2006 involved builder-property owners providing evidence and certifications of square footage built upfront during the active development phase). All special taxpayers currently are notified on their tax bills who to call regarding their individual special tax. However, Debt Management will make further refinements in response to the audit recommendations as more fully described below.

Recommendation 2 a & b: The City follows the governing guidance outlined in the Appeals section of the Rate and Method of Apportionment ("RMA") for each of the City's CFDs. The RMA is the governing document setting forth the special tax formula and appeals process for the CFD, which is developed at the time of CFD formation, approved by City Council as part of the district formation proceedings, and recorded against property subject to the special tax. As such, special tax appeal decision making responsibilities are already defined and assigned under the CFD legal governing documents established at CFD formation.

Augmenting the existing governing guidance and structure for appeals contained in the district RMAs, the department has now posted the special tax appeal step-by-step administration process on the City's web-page (see below for additional information), and completed a written departmental procedure reflecting the process being followed to supplement its existing procedures on Special District functions.

Recommendation 2c: The appeals process established under the City's RMAs allows a property owner to file a written appeal of the special tax on his/her property with the CFD Administrator/City specifying why the special tax is in error, and requires City CFO approval ("City Manager or designee" is specified in the RMAs since the City's CFDs were formed between 1991 and 2002) for elimination or reduction of the special tax, with a further appeal to the same official as prescribed in the RMA if the property owner is dissatisfied with the initial appeal determination. The City Attorney's Office has consistently reviewed and advised on all appeals, was engaged, had a legal advisory role in the CFO recommendation process, and drafted all legal documents and agreements the office deemed necessary in connection with the appeals.

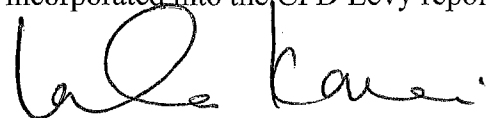
Debt Management will continue to follow this process while working with the City Attorney as described above.

Recommendation 2d: The RMAs, including the Appeals provision, are recorded against the taxed property. Also, the County property tax bill mailed to property owners already includes the City's Special Tax Consultant telephone number so that property owners know who to contact if they have questions about the special tax, including questions on the appeals process (the County format provides the telephone contact for each CFD and special assessment included on a property owner's tax bill).

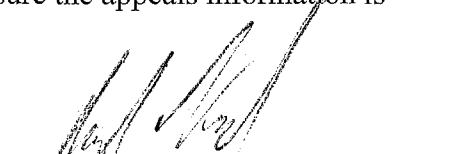
The department fully concurs that making special tax appeals process related information available can be helpful and more user friendly to the public. As such, in February 2014, Debt Management expanded the departmental City web-page to include a range of information about the City's CFDs, including the special tax appeals process. (The web-page can be accessed at the following link: <http://www.sandiego.gov/debtmanagement/districts/index.shtml>.) The appeals information available on the City portal now outlines the specific steps and time-frames involved in filing and determining appeals, and City and Special Tax Consultant detailed contact information.

Debt Management will also provide additional public information on the outcome of appeals, in addition to the communication already provided to the appealing property owner. Currently, the annual CFD levy item that is docketed for City Council review and approval in July each year includes a stand-alone report prepared by the Special Tax Consultant for each of the City's CFDs on the status of the CFD and the upcoming levy. Debt Management will ensure each of these CFD public reports incorporates information on any appeals received by the respective CFD during the year and the final determination of such appeals.

Time to Implement: Debt Management has already implemented the updates to its City web-page to provide additional public information concerning the Appeals process and contact information. Starting with the Fiscal Year 2015 CFD Levy, which will be docketed for City Council consideration in July 2014, the department will ensure the appeals information is incorporated into the CFD Levy reports.



Lakshmi Kommi
Debt Management Director



Bob Vacchi
Development Services Director

Attachments:

- A. Debt Management Factual Disagreements with Certain Information in the Audit Report of CFD 4, as dated May 5, 2014
- B. Development Services Department's Factual Disagreement with Certain Information in the Audit Report of CFD 4, as dated May 5, 2014
- C. Development Services Departments Review of 22 Parcels

cc: Scott Chadwick, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ron Villa, Deputy Chief Operating Officer
Brian Pepin, Director of Council Affairs

Attachment A - Debt Management Factual Disagreements with Certain Information in the CFD 4 Audit Report

The following disagreements were communicated previously to the City Auditor in connection with prior drafts of the Audit Report.

1. Audit Report: *“As a result, Debt Management asserts that the special tax consultant relied on the livable space version of the assessable square footage calculation in the building permit to determine special tax rates associated with CFDs. Development Services stresses that their role in calculating assessable per square footage is specifically for school fees and, consequently, that Development Services has no procedures in place tailored specifically to calculate and update data related to CFDs.”*

In accordance with the RMAs, the City’s CFD/Special Tax Consultant solely obtains the livable square footage data used for establishing the tax levy classification directly from the City building permit system. The definition in the City’s CFD RMAs with respect to “living area” is equivalent to the school fees definition of “assessable space,” which the City’s Development Services Department calculates under state law. Application of either definition would result in exactly the same square footage.

2. Audit Report: *“These limitations may cause uncertainty over how to file CFD tax challenges and how the procedure works. This is evidenced by one property owner communication seeking to appeal a special tax levy while seeking to locate information on how the appeals process functions, and obtain information about the time-frames involved for the adjudication of the appeal.”*

Per Debt Management’s review, and concurrence of the City Attorney’s Office, the documents provided by the City Auditor in response to Debt Management’s request for a copy of the cited property owner communication did not constitute evidence of confusion or uncertainty over how to file a CFD levy appeal.

3. Audit Report: *“...in practice, the City has not strictly adhered to this process to review and decide appeals. According to David Taussig & Associates, Inc. (DTA), the City’s former special tax consultant, there is no CFD Administrator responsible for overseeing key administrative duties for the process. Furthermore, even if the City had a designated CFD Administrator, the process itself might be inconsistent from case to case because according to DTA, the specific mechanics of the appeal process are not clearly spelled out.”*

The CFD RMA Appeals provision provides the critical framework to implement the appeals process for City CFDs. Since 2006, the City has consistently followed the provisions for appeals contained in each respective RMA, as enhanced by incorporating City Attorney guidance in the review and determination process. This is supported by evidence provided to the City Auditor during the audit process, including documents and communications prepared by DTA, which directly contrast these purported comments attributed to DTA.

Attachment B – Development Services Department’s Factual Disagreement with Certain Information in the CFD 4 Audit Report

Page 8 - *“We found the primary cause for these potential inaccurate tax levies may have resulted from inaccurate or incomplete square footage recorded on City permit records, which are used to determine the special tax levy amount.”*

Based on our review of the 22 sites, DSD believes that the vast majority of City permit records are accurate and complete as they relate to assessable square footage. As such to conclude that “the primary cause for these potential inaccurate tax levies resulted from possibly inaccurate or incomplete square footage recorded on City permit records,” is factually not true and misleading.

Page 8 - *“We found that Development Services’ procedures used to calculate assessable square footage is sometimes prone to potential inaccuracies and more importantly their procedures do not always take into account changes that are made in the homes configuration during original construction.”*

This statement is also inaccurate and misleading. It fails to take into account DSD’s business process for reviewing and issuing building permits. Much of the Auditors claim that City permit records are inaccurate or incomplete has to do with the fact that the City may issue additional building permits during construction to address construction changes. County records may appear more complete only because the County collects all of the City permit data on a single residential building record. While the County records are arguably easier to read and understand because all of the information is collected in one place, that information is no more accurate nor less prone to inaccuracies than City records.

Page 14 - *“County Assessor Procedure To Determine Assessable Square Footage May Lead To More Complete And Accurate Information”.*

This is not factual, while the information may be easier to read or understand due to its compilation for assessment purposes, the information is no more complete or accurate. DSD records are compiled on a single database. They are complete and no less accurate than County records.

Page 14 - *“Development Services Department does not have a procedure to capture the square footage on one centralized document.”*

This statement is misleading. DSD issues a separate permit for each phase of the development. The approved plans include a tabulated list of parcel numbers, model number, options included, and the corresponding square footage of each home. This information is also entered on the project tracking system. If the owners add/modify the home a separate permit is issued and the square footages are updated on the project tracking system. DSD shares this information with the County.

**Attachment C – Management Response to CFD 4 Audit Report Regarding Review of 22 Parcels
DSD Review of 22 Sites in CFD 4**

Sites with Square Footage Matches

Seven of the 22 sites have Assessor square footages that match Development Services square footages:

| | | |
|------------|--------------------------|-------|
| 267-380-04 | 15494 Artesian Spring Rd | 4,410 |
| 267-312-13 | 15574 Rising River S PL | 4,958 |
| 267-312-12 | 15570 Rising River S PL | 3,951 |
| 267-312-08 | 15567 Rising River S PL | 4,958 |
| 267-312-06 | 15575 Rising River S PL | 3,951 |
| 267-310-17 | 15611 Hayden Lake PI | 4,274 |
| 267-310-09 | 15626 Hayden Lake PI | 4,274 |

Sites with Assessor Errors

- 1) For site, Parcel 267-310-14, 15637 Hayden Lake PI, the County Assessor included permits 506098 (4,197 square feet) and 576097 (77 square feet) in its 4,275 (DSD has 4,274) square footage but the Assessor neglected to include permit 600335 (216 square feet) in its figure.
- 2) For site, Parcel 267-311-24, 15609 Rising River N PI, the County Assessor included a cancelled permit in its figures (Permit 396711 259 square feet).
- 3) For the following 11 sites, we plan checked each again and found discrepancies between City and Assessor square footages:

| | | |
|------------|----------------------|--|
| 267-310-01 | 8549 Mapleton CT | 4,958 |
| 267-311-22 | 15617 Hayden Lake PL | 4,699 (Matched DSD record in Computer/Plans) |
| 303-190-10 | 14570 Via Bergamo | 3,704 (a correction to the 3,699 in our records) |
| 303-190-24 | 7655 Cantata LN | 3,575 (Matched DSD record in Computer/Plans) |
| 303-190-29 | 7705 Cantata LN | 3,575 (Matched DSD record in Computer/Plans) |
| 303-190-34 | 7694 Concerto LN | 3,575 (Matched DSD record in Computer/Plans) |
| 303-190-40 | 7665 Concerto LN | 3,575 (Matched DSD record in Computer/Plans) |
| 303-192-04 | 14678 Via Monteverde | 3,575 (Matched DSD record in Computer/Plans) |
| 303-192-07 | 14690 Via Monteverde | 3,575 (Matched DSD record in Computer/Plans) |
| 303-193-16 | 7674 Sonata LN | 3,575 (a correction to the 3,337 in our records) |
| 303-193-34 | 7657 Via Vivaldi | 3,575 (Matched DSD record in Computer/Plans) |

Site Misinterpreted by the Audit

Parcel 267-380-02, 15493 Artesian Spring Rd, was remodeled about six months after the initial construction to include two new rooms. The Assessor’s square footage includes 1,016 square feet of remodeled add-on (Permit 645526) square footage after initial construction

Site with DSD Error

For site, Parcel 267-381-32, 15413 Artesian Spring RD, DSD plan checked this plan set again and found that a reviewer included 800 sq ft of very elaborate “outside” space as habitable. The square footage should be 5,415. DSD will be correcting its record.