Mountain House Debt

A Synopsis of How Mountain House Is Financed

Source of Debt

- California works under the premise that development pays for itself and does not impose a burden on existing residents.
- Several funding tools are available to assist developers in financing needed infrastructure components such as streets, water lines, sewer lines, storm drains, traffic lights, etc.
- All of these tools involve debt.
- The debt must be paid off by the taxpayers and utility customers of the new development.

Type of Debt

- Mountain House currently has two types of debt:
  - Developer Funded Infrastructure "Loans"
  - Bonds
- The Developer Funded Infrastructure "Loans" are paid for by:
  - New development with Development Impact Fees
  - Utility Rate Payers
- MHCSD Bonds are paid for by Utility Rate Payers.

Developer Funded Infrastructure "Loans"

- There are three broad categories of Developer Funded Infrastructure "Loans"
  - Community Facilities
  - Traffic Improvements
  - Utility Capital Program
- Each category has a source of income dedicated to the repayment of the loans.
- Each source of repayment income is tracked separately and managed as protected funds within the Mountain House finances.

Community Facilities

- Developers are required to build certain community facilities such as a library, parks, a community center and a town hall, and other facilities
- Each building permit that is issued pays specific fees for these programs. These are kept separate from other MHCSD funds in the Community Facilities Fund (CFF)
- The costs for each required facility was estimated in the Master Plan and has an annual inflationary increase based on the ENR.
- The developer is required to build the facility that meets the criteria in the Master plan regardless of costs.

Required Community Facilities

- 12 Neighborhood Parks
- Library – to be built in 3 phases based on rooftops
- Town Hall – to be built at 10,000 rooftops
- Police, Fire and Transit Vehicles
- Fire Stations
- Support Buildings and Communications Center
- Operations Center
- Corporation Yard & Equipment
- Warehouse
- Fueling Station
- Computer Equipment

Community Facilities Income Stream

- For each $1000 that goes into the CFF the distribution is approximately:

✓ Parks	$689.95
✓ Library	$89.73
✓ Town Hall and Other	$219.35
✓ Admin	$29.70

Community Facilities Repayment Process

- When an authorized Community Facility is completed the developer submits receipts to MHCSD for certification
- MHCSD audits the receipts and authorized repayment up to the maximum amount provided for in the Master Plan.
- If the facility costs more than the authorized repayment, the developer is not reimbursed for the overage.
- The developer gets "in line" for repayment based on available funds based on when they begin a project.
- When Mountain House issues the final building permit, if there is still outstanding debt, <u>**the debt is discharged**</u>.

Traffic Infrastructure

- Developers are required to build certain traffic infrastructure such as arterial streets and traffic signals.
- Each building permit that is issued pays specific fees for these programs. These are kept separate from other MHCSD funds in the Traffic Infrastructure Fund (TIF)
- The costs for each required facility was estimated in the Master Plan and has an annual inflationary increase based on the ENR.
- The developer is required to build the facility that meets the criteria in the Master plan regardless of costs.

Required Traffic Infrastructure

- Great Valley Parkway
- Mountain House Parkway (Local & Regional)
- Arnaudo
- Main Street
- De Anza
- Byron Road (Local & Regional)
- Grantline Road (Local, Regional and Other)
- Central Parkway
- Mascott (Mustang) Blvd.
- I-205 Interchange with Mountain Valley Parkway
- Bethany Road

Traffic Infrastructure Income Stream

- For each $1000 that goes into the TIF the distribution is approximately:

✓ Local	$827.53
✓ Regional	$129.61
✓ Other	$13.61
✓ Admin	$29.70

Traffic Infrastructure Repayment Process

- When an authorized TIF Capital project is completed the developer submits receipts to MHCSD for certification
- The MHCSD audits the receipts and authorizes repayment up to the maximum amount provided for in the founding documents.
- If the facility cost more than the authorized repayment, the developer is not reimbursed for the overage.
- The developer gets "in line" for repayment based on available funds in a first come first serve manner based on when the project start date was noticed to MHCSD.
- When Mountain House issues the final building permit, if there are still outstanding debt, **<u>the debt is discharged</u>**.

Utility Capital Improvement Projects

- Developers are required to build certain utility infrastructure items such as the water treatment plant, the waste water treatment plant, water storage units, storm drainage systems, etc.
- The costs for each required facility were estimated in the Master Plan and have an annual inflationary increase based on the ENR.
- The *developer* is required to build the facility that meets the criteria in the Master plan and state regulations regardless of cost.

Required Utility Infrastructure

- Waste Water Plant in multiple phases
- Water Treatment Plant in multiple phases
- Water conduit for incoming Delta Water
- Storm drain basins
- Water storage units
- Pumping Stations
- Trunk Lines
- Booster Pumps
- Etc.

Utility Infrastructure Income Stream

- Each utility bill is charged a fixed amount (Pledge revenue) which is itemized by water, waste water, and storm drainage.
- Pledge payments of all Pledge revenue are remitted quarterly to the developer who is next in line with certified costs to be paid.
- As the Pledge revenues increase to the point that MHCSD can support a $10M bond, the developer debt is converted to Bond debt to pay off the developer in a lump sum. All revenue over the debt services on Bonds is remitted to the developer on a quarterly basis.

Utility Infrastructure Repayment Process

- When an authorized Utility Infrastructure project is completed the developer submits receipts to MHCSD for certification.
- MHCSD audits the receipts and authorizes repayment up to the certified amount.
- The developer gets "in line" for repayment based on when they begin an approved project.
- When the Utility Bill income stream grows to a level high enough to support another $10M in bonds, MHCSD is required to issue the bonds and pay the proceeds from the bond sale to the developers in line for repayment; converting debt to the developer to bond debt.
- These payments continue **<u>until the debt is paid in full</u>**.

Questions?

- How much debt does Mountain House have? Details on the current debt is provided in the annual audit.
- Will the pledge component ever leave the utility bill? No. The current debt is projected to be paid off sometime in 2050 or later. In the interim there will be renovations and upgrades required to the facilities which will require additional debt if there is not sufficient capital in reserve to pay to prevent debt.
- Other questions?