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CAPISTRANO UNIFIED SCHOOL DISTRICT BOARD ENDS COMMUNITY FACILITIES DISTRICT NO. 87-1

Decision Will Save Aliso Viejo and Mission Viejo Taxpayers Millions in Annual Taxes

SAN JUAN CAPISTRANO - The Capistrano Unified School District Board of Trustees voted unanimously on September 28 to end a decades-old Mello-Roos tax that could have legally continued taxing residents indefinitely.

Community Facilities District No. 87-1, CUSD’s oldest and largest Mello-Roos tax district, was established in 1987 to fund new schools for the then rapidly growing communities of Aliso Viejo and Mission Viejo. The agreement allowed CUSD to sell $100M in bonds to build and/or improve 12 schools and facilities, including Capistrano Valley High School, Aliso Niguel High School, four middle schools, six elementary schools and a portion of the District’s Education Center. The money generated from the special tax by approximately 22,000 taxpayers was used to pay off the bonds and associated interest.

“The Board of Trustees’ vote to end this taxation is significant for the residents living in Aliso Viejo and Mission Viejo’s 87-1 district,” stated CUSD Board President Amy Hanacek. “By ending this CFD, Capistrano Unified saved these homeowners $42 million.”

Enacted in 1982, the Community Facilities Act (more commonly known as Mello-Roos) enabled "Community Facilities Districts" (CFDs) to be established by local governments as a means of obtaining additional public funding. Counties, cities, special districts, and schools districts use these financing districts to pay for public works and some public services.
State law was amended in 1992 to require public agencies to set end dates for taxes when such districts are established. Because CFD 87-1 was established before that law was amended, it was grandfathered-in, meaning it could have continued taxing residents of Mission Viejo and Aliso Viejo forever.

The CUSD Board of Trustees did not believe this indefinite taxation was right and, as it recorded its last bond payment on September 1, 2016, the District ended 87-1 for local taxpayers.

“This CFD had no end date specified. It could have gone on forever,” stated Clark Hampton, Deputy Superintendent of Business and Support Services. “That’s why this is such a big deal and why it is different from the other CFDs.”

Although CUSD has already eliminated three of its ten outstanding Mello-Roos districts, Hanacek said, “This was the big one.”

“It is exciting to be able to do this for the taxpayers in our District,” Hanacek says. “Eliminating 87-1 will alleviate a significant percentage of all of the District’s remaining Mello-Roos.”

The elimination of 87-1 is not the first action the CUSD Board of Trustees has taken in regards to Mello-Roos taxes. The Board of Trustees voted to end the use of “pay-as-you-go” special taxes in August while also voting to establish CFD Citizen’s Oversight and Advisory Commission that will provide advice and oversight to the Board of Trustees. Their stewardship of taxpayer dollars has reduced taxes for Community Facilities Districts by 46 percent, or $15.5 million a year in the last four years, which does not include the $42 million savings with the elimination of 87-1.

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