

CFD 101 Workshop

February 22, 2016



Strength through History & Innovation



Presentation Overview

- Purpose of Workshop
- Community Facilities District (CFD) Fundamentals
- California Statistics
- Formation Process
- Bond Issuance Procedures
- Annual Administration
- Special Tax Prepayment
- Questions

Purpose of Workshop

- Review and explain the various aspects of CFDs
- Promote transparency and understanding
- Educate Council to aid in informed decision making
- Answer property owner questions and concerns
- Dispel myths and rumors



CFD Fundamentals

CFD rates are set and controlled by a Rate and Method of Apportionment (RMA)

- Defines the methodology used to calculate the special taxes
- Sets the maximum tax allowed
- Is the administration roadmap

CFDs can be categorized into two types – Facilities and Services

Category	CFD Type	
	Facilities	Service
Issue Bonds	Yes	No
Maturity Date	Yes	No*
Improvement Type	Public	Public
Finances	Construction/Acquisition of improvements & fees	Annual maintenance costs of ongoing services

*Normally lasts as long as agency provides the service

CFD Fundamentals (cont.)

CFD Facilities and Services - continued

- Improvements must have a useful life of five (5) years or more
- Need not be located within the boundaries of the CFD

Facilities	Service
<ol style="list-style-type: none"> 1. Park, recreation, parkway, and open space facilities 2. School sites and structures 3. Libraries 4. Child care facilities 5. Utility infrastructure including: Energy, water, natural gas, telephone and cable television transmission and distribution systems 6. Storm drainage and treatment facilities 7. Any other governmental facilities the legislative body is authorized to contribute revenue to, construct, own, or operate 	<ol style="list-style-type: none"> 1. Police and fire services 2. Ambulance and paramedic services 3. Maintenance and lighting of parks, parkways, streets, roads, and open space 5. Flood and storm protection, and storm drain services 6. Removal and remediation of hazardous substances

CFD use in California

1. Mello-Roos Community Facilities Act of 1982
 - California Government Code Section 53311
2. Statewide
 - 891 agencies
 - 1,392 separate bond issues totaling \$16.1B outstanding
3. Riverside County
 - 40 agencies
 - 319 separate CFDs
 - \$2.9B bonds outstanding
4. City of Beaumont
 - 1 CFD comprised of 59 Improvement Areas (IA)
 - 29 bonded IAs
 - \$208.1M bonds outstanding (as of 9/2/2015)

Source: Items 1 & 2 above per California Debt and Investment Advisory Commission (CDIAC) California Mello-Roos CFD Yearly Fiscal Status Report 2012-2013

Formation Process

- 1. Application and Petition**
- 2. Adoption of Goals and Policies**
 - Facilities priority & eligibility
 - Credit quality
 - Disclosure requirements
 - Special tax/maximum special tax limits
 - 2% total effective tax rate
 - Appraisal criteria/value-to-lien
- 3. Resolution of Intention (ROI) Meeting** (first meeting)
 - Approve CFD and/or IA boundaries
 - Identify facilities & services
 - Declare intention to
 - Form CFD/designate IA
 - Levy Special tax
 - Issue bonds
 - Set public hearing

Formation Process (cont.)

4. Public Hearing (PH) (second meeting)

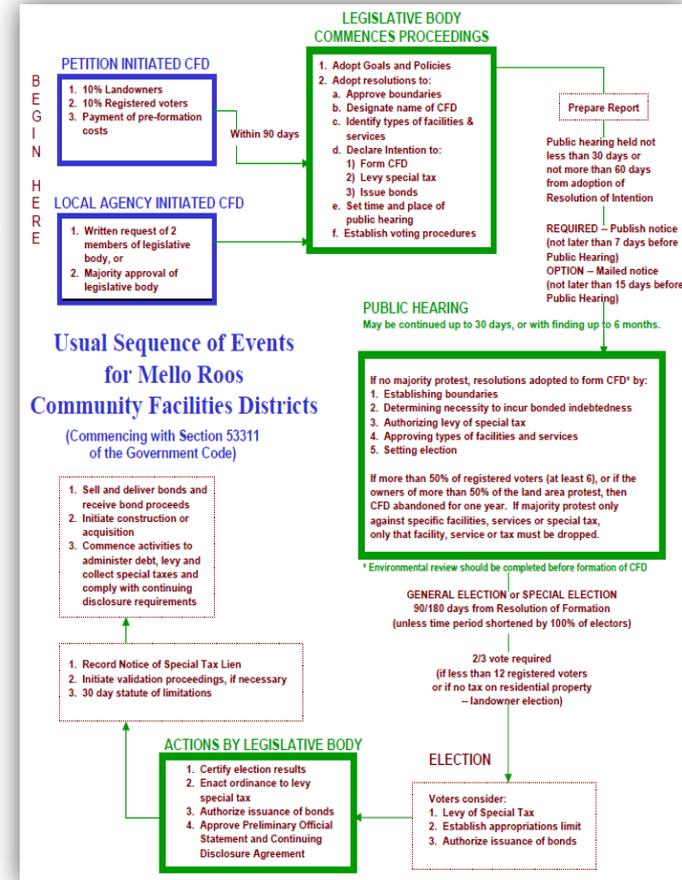
- Establish boundaries
- Declare necessity to incur bond debt
- Authorize the levy of special tax
- Approve facilities & services
- Set election

5. Special Election

- Can be held same day of PH
 - If 100% of voters waive election period
- Election requires 2/3rd voter approval
 - Land owner vote if <12 registered voters in prev. 90 days
 - Land owner - 1 acre (or portion of acre) = 1 vote
 - Registered voter - general election
- Voters consider and cast vote for
 - Levy of special tax
 - Establish appropriations limit
 - Authorize issuance of bonds

Formation Process (cont.)

- 6. Post-Election Activity** (approved vote)
- Certify election results
 - Ordinance to levy special tax
 - Authorize ability to issue bonds
 - Record notice of special tax lien
 - (within 15 days)



Bond Issuance Procedures

1. Interim Procedures

- Select Fiscal Agent or Trustee
- Prepare
 - Bond documents
 - Appraisal and absorption analysis
 - Preliminary official statement
- Report debt issuance to CDIAC
- Solicit Bond insurance (fully developed CFDs only)

2. Legislative Body Adopts Resolutions Approving

- Bond documents
- Bond purchase contract
- Preliminary and final official statement
- Continuing disclosure agreements

Bond Issuance Procedures (cont.)

3. Bond Sale

- Negotiate pricing
- Price, terms, and maturity schedule finalized
- Bond purchase contracts signed
- Closing date set
- Official statement finalized

4. Bond Closing

- Agreements executed and delivered
- Bond purchase price wired to account of local agency
- Bonds released to purchasers
- Bond proceeds used to acquire eligible public facilities

Common Bond Guidelines

New Money Bond Sale

- Development 80% individually owned
- Appraisal dated within 3 months of bond issuance
- If less than 95% developed then larger reserve required
- 4:1 value-to-lien ratio
- Low delinquency rate <5%

Bond Refunding

- 4% minimum savings on annual debt service
- 10:1 value-to-lien ratio
- Low delinquency rate <5%
- Pooled financing of multiple CFDs/IAs
 - Diversification can equal better rates

After a CFD is formed there are several actions that must be completed annually.

1. Special Tax calculation approaches
 1. Assigned rate (no bonds)
 2. Pay-go (bonds and facility)
 3. Traditional approach uses budgeted cost accounting:

Debt service payment
+ Administration expense
+ Delinquency reserve
= Special Tax requirement (typically less than the max tax!)
2. Monitor delinquency and foreclosures
3. Annual reporting
 - CDIAC
 - Continuing disclosure
4. Arbitrage calculation
5. Property owner services

Annual Administration (cont.)

6. Debt Service Monitoring
 - Special Tax prepayment
 - Bond call analysis
 - Reserve fund analysis

Prudent administration can equal tax reductions for property owners:

1. Bond refunding opportunities
2. Annual budget preparation and review
3. Fund analysis

The following illustrates common administration practices providing tax reductions:

Item	Assigned Tax Rate*	Levied Tax Rate	Annual Savings	% Savings
Assigned CFD Tax (Formation)	\$3,115	\$3,115	N/A	N/A
CFD Tax at Bonding (Year 3)	\$3,241	\$2,959	\$281	8%
CFD Tax at Refunding (Year 10)	\$3,723	\$3,292	\$430	12%

*Annual escalation of 2%

Special Tax Prepayment

1. Property owner provides City written notice of intent to prepay
2. Within five (5) days, City provides amount of non-refundable deposit - \$800 per request
3. Owner pays deposit and payoff quote provided within fifteen (15) days
4. Payment must be received within “Good through Date”
 - New deposit/new calculation needed if missed
5. Notice of Cancellation of Special Taxes recorded within thirty (30)

Questions

Question and Answer Session

- Council session first
- Followed by property owner (by speaker card)