



Staff Report

TO: City Council
FROM: Elizabeth Gibbs, City Manager
DATE: March 18, 2025
SUBJECT: Proposed Refunding of Outstanding Community Facilities District (CFD) Bonds

Description Seeking direction from City Council on establishing a minimum savings threshold and eliminating the escalating debt structure on certain CFD bonds.

Background and Analysis:

Over the years, City staff has been proactive in monitoring outstanding bonds for refunding candidates. Based on current market interest rates, there is an opportunity to refund outstanding bonds associated with several community facilities districts (CFDs) or improvement areas within such districts to generate savings for property owners.

The current level of net present value and per parcel savings varies by CFD and improvement area. Staff is seeking direction from the City Council on minimum savings thresholds that it would like to achieve on the refundings.

In addition, certain bonds have escalating debt structures. Staff and its financing team have evaluated the ability to remove the escalating debt service structures, thereby 'leveling out' payments made by property owners over time. Staff is requesting that City Council provide direction on removing the escalating debt structures.

Discussion

Given the opportunity to strengthen the underlying credit of the refunding bonds and achieve economies of scale, the refunding contemplates an issuance through the Beaumont Public Improvement Authority ("PIA"). This structure is similar to the one utilized by the City in 2019, 2020, and 2021, when it refunded multiple series of outstanding bonds.

While the outstanding bonds are not currently rated, the refunding bonds may qualify for an investment grade rating and bond insurance, which would lead to a lower cost of borrowing (and potentially more savings to property owners). Furthermore, the refunding bonds may also qualify for a reserve surety policy, which would enable the

City to reduce the overall size of the refunding bonds, lower annual payments, and increase savings to property owners.

Staff will work with the financing team on all the necessary legal documents to return to the City Council and the Beaumont Public Improvement Authority for approval of the issuance of refunding bonds and all associated legal documents at a later date.

Fiscal Impact:

There is no cost to the City to provide direction on establishing a minimal savings threshold or eliminating the escalating debt structure on certain CFD bonds. If, and when, the refunding bonds price, property owners within the CFDs and improvement areas will see a reduction in their special taxes.

Recommended Action:

Provide direction to staff and the financing team on a savings threshold to consider in determining which CFD refundings to pursue and to bring back to City Council for ultimate approval to proceed.

Attachments:

- A. Presentation