



Staff Report

TO: City Council
FROM: Elizabeth Gibbs, City Manager
DATE: June 3, 2025
SUBJECT: Proposed Refunding of Outstanding Bonds Related to Improvement Areas 7A1, 19A, 18, 16 and 8B of Community Facilities District No. 93-1

Description This item requests City Council and related authority approvals to proceed with the issuance of the 2025 Community Facilities District (CFD) Refunding Bonds through the Beaumont Public Improvement Authority (PIA). The refunding opportunity targets outstanding bonds issued between 2015 and 2017 across five improvement areas within CFD 93-1, totaling approximately \$33.3 million in outstanding debt. Consistent with prior Council direction provided on March 18, 2025, the refunding will proceed only if the proposed bonds meet a minimum net present value savings threshold of 3.0% or \$200 in annual savings per parcel. The 2025 Refunding Bonds will not extend the maturity of any of the original bond issues and are expected to achieve lower borrowing costs through credit enhancements such as bond insurance and a reserve fund surety policy. Approval of the resolutions will authorize the preparation and execution of the related financing documents, including bond indentures, escrow agreements, a Preliminary Official Statement, and a Bond Purchase Agreement. Assuming favorable market conditions and achievement of the required savings threshold, bond pricing is anticipated in early June.

Background and Analysis:

Over the past decade, staff and City Council have been proactive in monitoring outstanding community facilities district (CFD) debt for refunding candidates. Most recently, in 2020, staff and City Council have identified and taken advantage of several refunding opportunities, leading to aggregate savings (reduction in special taxes) of approximately \$16 million for property owners.

On March 18, 2025, staff and its financing team presented City Council with another opportunity to refund outstanding bonds issued by various CFDs within the City, including several improvement areas of CFD 93-1. At that time, City Council approved moving forward with the refunding opportunity (subject to the savings thresholds described below), directing staff and its financing team to begin preparing legal documents with the goal of returning before City Council to seek final approval for the

issuance of refunding bonds. Additionally, City Council established a minimum savings threshold for the refunding of each CFD bond issue of 3.0% net present value savings or \$200 in annual savings per parcel. In other words, staff and the financing team would not proceed with the issuance of refunding bonds until the savings parameters are achieved.

The outstanding bonds are related to the following five improvement areas of CFD 93-1:

- **Improvement Area 7A1:** In March 2015, the Beaumont Financing Authority (“BFA”) issued the 2015 Local Agency Refunding Revenue Bonds, Series A (“2015A Bonds”) in the par amount of \$11,110,000 to refund outstanding bonds of Improvement Area 7A1, an area located in the Four Seasons community. Currently, there is \$8,755,000 of par amount outstanding of the 2015A Bonds. The 2015A Bonds were structured with a final term of 2045 and a final interest rate of 5.00%. The call date of the 2015A Bonds is September 1, 2025.
- **Improvement Area 19A:** In April 2015, the BFA issued the 2015 Local Agency Refunding Revenue Bonds, Series B (“2015B Bonds”) in the par amount of \$20,095,000 to refund outstanding bonds of Improvement Area 19A, an area located in the Fairway Canyon community. Currently, there is \$12,640,000 of par amount outstanding of the 2015B Bonds. The 2015B Bonds were structured with a final term of 2035 and a final interest rate of 5.00%. The call date of the 2015B Bonds is September 1, 2025.
- **Improvement Area 18:** In May 2015, the BFA issued the 2015 Local Agency Refunding Revenue Bonds, Series C (“2015C Bonds”) in the par amount of \$5,335,000 to refund outstanding bonds of Improvement Area 18, an area located in the Stetson community. Currently, there is \$3,100,000 of par amount outstanding of the 2015C Bonds. The 2015C Bonds were structured with a final term of 2034 and a final interest rate of 4.125%. The call date of the 2015C Bonds is September 1, 2025.
- **Improvement Area 16:** In May 2015, the BFA issued the 2015 Local Agency Refunding Revenue Bonds, Series D (“2015D Bonds”) in the par amount of \$7,820,000 to refund outstanding bonds of Improvement Area 16, an area located in the Shadow Creek community. Currently, there is \$4,555,000 of par amount outstanding of the 2015D Bonds. The 2015D Bonds were structured with a final term of 2034 and a final interest rate of 4.25%. The call date of the 2015D Bonds is September 1, 2025.
- **Improvement Area 8B:** In August 2017, the City of Beaumont CFD 93-1 Improvement Area 8B issued the Special Tax Refunding Bonds, Series 2017A (“2017A Bonds”) in the par amount of \$5,735,000 to refund outstanding bonds of Improvement Area 8B, an area located in the Sundance community. Currently, there is \$4,220,000 of par outstanding of the 2017A Bonds. The 2017A Bonds were

structured with a final term of 2037 and a final interest rate of 3.94%. The call date of the 2017A Bonds is September 1, 2025.

A summary of the outstanding bonds and improvement areas is provided below.

Outstanding Bonds: Improvement Areas 7A1, 19A, 18, 16, and 8B

<u>Issue</u>	<u>Area</u>	<u>Parcels</u>	<u>Date</u>	<u>Par Value Outstanding</u>	<u>Final Term</u>	<u>Final Rate</u>	<u>Optional Call Date</u>	<u>Ratings</u>
2015A Bonds	7A1	484	Mar 2015	\$8,755,000	2045	5.000%	Sept 1, 2025	
2015B Bonds	19A	542	Apr 2015	12,640,000	2035	5.000%	Sept 1, 2025	
2015C Bonds	18	193	May 2015	3,100,000	2034	4.125%	Sept 1, 2025	Non-Rated
2015D Bonds	16	240	May 2015	4,555,000	2034	4.250%	Sept 1, 2025	
2017A Bonds	8B	<u>192</u>	Aug 2017	<u>4,220,000</u>	2037	3.940%	Sept 1, 2025	
TOTALS		1,651		\$33,270,000				

Given the opportunity to strengthen the underlying credit of the bonds referenced above and achieve economies of scale, the refunding contemplates an issuance through the Beaumont Public Improvement Authority (“PIA”), whereby the PIA acquires each improvement area refunding bond issue (“Local Obligation”). The debt service to be paid by each improvement area to the PIA on its Local Obligation will be used to pay debt service on the Local Agency Revenue Refunding Bonds, Series 2025A (“2025 Refunding Bonds”) to be issued by the PIA. Each Local Obligation would maintain the same final maturity for each of the improvement areas under consideration. In other words, there will be no extension of the original bond term of the Local Obligations. Final interest rates will be determined if and when the 2025 Refunding Bonds are priced.

While the outstanding bonds are not currently rated, the 2025 Refunding Bonds are expected to qualify for an investment grade rating and bond insurance, which would lead to a lower cost of borrowing. Furthermore, the 2025 Refunding Bonds may also qualify for a reserve fund surety policy. With a reserve fund surety policy, the 2025 Refunding Bonds would not need to cash fund a debt service reserve (or a portion thereof) as part of the issuance. This would enable the City to downsize the 2025 Refunding Bonds.

As required under Section 5852.1 of the California Government Code, good faith estimates have been provided to the City by Urban Futures, Inc., the Municipal Advisor, in consultation with Stifel, Nicolaus & Company, Incorporated, as underwriter of the 2025 Refunding Bonds as Attachment 1.

Documents Subject to Approval

There is a resolution for each improvement area of CFD 93-1 presented for consideration by the City Council, acting as the legislative body of CFD 93-1, to approve its documents with respect to the proposed refundings.

The City Council members are members of the Board of Directors of the PIA. Approval by the Board of Directors of the PIA of its resolution presented at this meeting approves its documents with respect to the 2025 Refunding Bonds.

Finally, since the bonds to be refunded were originally issued by the BFA, the BFA is required to be a party to the escrow agreements in connection with the refundings. City Council members are members of the Board of Directors of the BFA. Approval by the Board of Directors of the BFA of its resolutions presented at this meeting authorizes the BFA to execute and deliver the escrow agreements.

The documents for consideration by the City Council and the Boards of Directors of the PIA and the BFA are described below. Approval of the Resolutions approves the preparation, form, and/or authorizes the execution and delivery of the following documents:

- **Preliminary Official Statement:** The POS is the 'offering document,' providing a description of the underlying taxing jurisdictions, the 2025 Refunding Bonds, and all other information that would be material to a prospective investor's decision on whether to purchase the 2025 Refunding Bonds. While the City's counsel, consultants, and underwriter have participated in preparing the POS, Council and staff are ultimately responsible for ensuring that the POS is accurate, contains no misleading information and does not omit any information necessary to make the POS not misleading to investors.
- **Authority Indenture of Trust (PIA):** The Indenture is a contract entered into between the City and Zions Bancorporation, National Association, as the appointed Trustee for the 2025 Refunding Bonds. This document contains terms of the 2025 Refunding Bonds including, but not limited to, the payment and redemption provisions, the pledge of revenues to pay the 2025 Refunding Bonds, rights and duties of the Trustee, remedies upon a default in the payment of the 2025 Refunding Bonds, and other related matters.
- **Bond Indentures (Local Obligations):** These documents contain the terms of the refunding bonds in connection with the underlying taxing jurisdictions, including

payment and redemption provisions, definition and pledge of revenues to pay the underlying obligations, Rights and Duties of the Trustee, remedies upon a default in the payment of the underlying obligations, and final discharge of the underlying obligations and other related matters.

- **Bond Purchase Agreement:** Pursuant to the Bond Purchase Agreement, the City agrees to sell the 2025 Refunding Bonds to the underwriter and the underwriter agrees to purchase the 2025 Refunding Bonds, subject to typical closing conditions. City staff, its municipal advisor, and bond counsel will sign off on the final pricing prior to the execution of the Bond Purchase Agreement.
- **Escrow Agreements:** These documents contain terms by which the Zions Bancorporation, National Association, as escrow agent, will hold bond proceeds on the behalf of the owners of the outstanding bonds to pay and discharge the outstanding bonds on the redemption dates.
- **Continuing Disclosure Agreement:** Executed for the benefit of bondholders, this agreement obligates the PIA to file an annual report each Fiscal Year which includes, among other things, the most recent audited financial statements of the City and financial data relating to the underlying tax jurisdictions. The PIA is also required to report certain events to bondholders if and when they occur.

The financing team has reviewed the attached documents on behalf of the City. As previously mentioned, if the Resolutions are approved, City staff will continue to work with the appointed financing team to finalize all of the documents. The pricing date, assuming interest rates remain favorable and savings thresholds are met, would be targeted for early June.

Fiscal Impact:

Except for a rating cost from S&P (which can be reimbursed from bond proceeds or funded from available District revenues), there is no impact to the City's General Fund. Any savings by property owners achieved are net of all financing costs (including the estimated cost of purchasing bond insurance policies).

The estimated cost to prepare this report is \$350.

Recommended Action:

Waive the full reading and adopt by title only, "Resolution of the City Council of the City of Beaumont acting as legislative body of Community Facilities District No. 93-1, authorizing the issuance of Special Tax Refunding Bonds and taking other actions in connection therewith" and recess the City Council meeting.

Convene a meeting of the Board of Directors of the Beaumont Financing Authority and waive the full reading and adopt by title only, "Resolution of the Board of Directors of the Beaumont Financing Authority approving the execution of Escrow Agreements in connection with the refunding of certain Local Agency Revenue Bonds of the Authority and Special Tax Bonds of the City of Beaumont Community Facilities District No. 93-1, and taking certain other actions in connection therewith", and adjourn the Board meeting.

Convene a meeting of the Board of Directors of the Beaumont Public Improvement Authority and waive the full reading and adopt by title only, "Resolution of the Board of Directors of the Beaumont Public Improvement Authority, Riverside County, California, authorizing the issuance of its Local Agency Refunding Bonds, in one or more series, in an aggregate principal amount of not-to-exceed thirty million dollars (\$30,000,000) and approving certain documents and taking other actions in connection therewith" and adjourn the Board Meeting and reconvene the City Council meeting.

Attachments:

- A. Good Faith Estimates
- B. City Resolution of Issuance 2025 Pooled Refunding
- C. BPIA Resolution Approving the Issuance of the Local Agency Revenue Refunding Bonds, Series 2025
- D. BFA Resolution Approving the Forms of Escrow Agreements
- E. Preliminary Official Statement (with Continuing Disclosure Agreement)
- F. Authority Indenture of Trust
- G. Bond Purchase Agreement
- H. Form of Escrow Agreements
- I. Form of Local Obligation Bond Indentures
- J. City Council Presentation (CFD Refi)