



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: September 2, 2025
SUBJECT: Adoption of Amended and Restated Special Assessment and Community Facilities District Goals and Policies

Description: The existing policy, adopted in 1995, no longer reflects current state law, industry standards, or the City's development needs. The amended and restated policy strengthens financial safeguards, aligns with best practices, and provides clear procedures for forming and administering Community Facilities Districts (CFDs) and Assessment Districts. Adoption ensures that future financings are conducted in a transparent, fiscally responsible, and equitable manner that protects both the City and its residents.

Background and Analysis:

The City of Beaumont originally adopted its Special Assessment and Community Facilities District Goals and Policies in 1995, shortly after the enactment of Government Code Section 53312.7 (Mello-Roos Community Facilities Act of 1982). These policies established the City's framework for the use of Community Facilities Districts (CFDs) and Special Assessment Districts (Assessment Districts) to finance infrastructure and services in new developments.

Since that time, the regulatory environment, industry best practices, and the City's development landscape have changed significantly. State guidelines and expectations for land-secured financing have evolved, particularly through the California Debt and Investment Advisory Commission (CDIAC), and local governments have refined their approaches to ensure stronger financial safeguards, enhanced disclosure, and equitable treatment of property owners.

Updating the City's policy is necessary to:

- Align with Current Law and Best Practices – Ensure compliance with Government Code §53312.7 and incorporate standards consistent with CDIAC, GFOA, and the Securities and Exchange Commission's Rule 15c2-12 disclosure requirements.

- Strengthen Financial Protections – Establish minimum value-to-lien requirements (4:1), effective tax rate limits (2%), reserve fund standards, and prohibitions on capital appreciation bonds to safeguard taxpayers and investors.
- Clarify Roles and Responsibilities – Affirm City control over consultant selection, bond structuring, disclosure practices, and long-term administration.
- Enhance Transparency and Fairness – Require developer-funded application deposits, disclosure notices to homebuyers, and property owner participation thresholds.
- Reflect Local Needs – Provide clear criteria for when CFDs or Assessment Districts are appropriate, prioritizing public benefit and ensuring adequate ongoing funding for services and maintenance.

Key changes include:

- The City may condition the financing of facilities included as part of the City's or another public agency's development impact fee programs on the applicant's agreement to participate in the financing of City services for public safety and may require applicant's to pay a premium on any City fees financed with such premium to be used by the City to pay for other eligible facilities authorized by the Act.
- The Policy sets priorities for funding City services.
- Sets for security provisions requiring property owners responsible for 20% or more of the special tax to provide collateral to the City to guarantee 2 years of special tax payments in the form of a letter of credit, cash deposit or other acceptable collateral.
- The City may permit the escalation of any facilities tax in any amount not to exceed 2% annually for those projects that also participate in a community facilities district for services.
- If the Effective Tax Rate (ETR) exceeds 2%, the City may require the developer to prepay a portion of such taxes prior to the issuance of bonds in order to reduce the ETR to 2% or less.

The Amended and Restated Policy fully replaces the 1995 policy and reflects over two decades of legal, financial, and practical advancements in municipal land-secured financing. Adoption of this updated policy will provide the City with a modern, transparent, and fiscally responsible framework for considering future district formations.

This policy was reviewed by the Financial Audit Committee on August 25, 2025. Council Member Martinez requested the policy reemphasize the need to receive savings, when possible, through refunding of debt. The policy has been updated in the Terms and Conditions of the Bonds section and states, "All bonds issued shall comply with the terms of the City's then current debt policy." The debt policy recently adopted by Council states there will be a periodic review of all outstanding debts and strive to achieve a

minimum of 3% net present value savings, 5% in the case of advanced refunding. The Financial and Audit Committee's action approved moving the policy forward to the City Council for adoption.

Fiscal Impact:

There is no direct fiscal impact to the City's General Fund from adoption of this policy. All costs associated with evaluating and forming CFDs or Assessment Districts, including consultant expenses and staff time, will continue to be funded through developer deposits and reimbursements.

By strengthening requirements for credit quality, value-to-lien ratios, and effective tax rate limitations, the policy reduces financial risk to the City and to current and future residents.

The cost to prepare this staff report was approximately \$300.

Recommended Action:

Adopt the Amended and Restated Special Assessment and Community Facilities District Goals and Policies, replacing the original 1995 policy, to align with current statutory requirements and best practices in municipal finance.

Attachments:

- A. Draft Amended and Restated Special Assessment and Community Facilities District Goals and Policies
- B. Presentation