

RESOLUTION NO. 5365

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF SOLEDAD ADOPTING LOCAL GOALS AND POLICIES
FOR USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982**

WHEREAS, the City Council of the City of Soledad intends to establish a community facilities district (the “CFD”), pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Act”); and

WHEREAS, in connection with such intention and in compliance with the requirements of Section 53312.7 of the Act, the Council wishes to adopt local goals and policies applicable to the City’s use of the Act; and

WHEREAS, a copy of the “Local Goals and Policies Concerning Use of the Mello-Roos Community Facilities Act of 1982” (the “Local Goals and Policies”) has been filed with the City Clerk for consideration and adoption by the City Council, and a copy of the Local Goals and Policies is attached hereto as Exhibit A and by this reference incorporated herein; and

WHEREAS, in compliance with the requirements of Section 53312.7 of the Act, the Council wishes to adopt Local Goals and Policies.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Soledad hereby finds, determines and resolves as follows:

Section 1. The foregoing recitals are true and correct, and by this reference, are incorporated herein.

Section 2. The City Council, having considered the Local Goals and Policies, hereby finds and determines that the Local Goals and Policies contain the matters required for compliance with Section 53312.7 of the Act.

Section 3. The City Council hereby adopts the Local Goals and Policies in the form on file with the City Clerk, a copy of which is attached hereto as Exhibit A.

Section 4. This resolution shall take effect immediately upon its adoption.


PASSED AND ADOPTED by the City Council of the City of Soledad at a regular meeting on January 3, 2018, by the following vote:

AYES, and in favor thereof, Councilmembers: Christopher Bourke, Mayor Fred Ledesma, Carla Stewart, Anna Velazquez Mayor Pro Tem Alejandro Chavez

NOES, Councilmembers: None

ABSENT, Councilmembers: None

ABSTAIN, Councilmembers: None



FRED J. LEDESMA, Mayor

ATTEST:



MICHAEL McHATTEN, City Clerk

EXHIBIT A

CITY OF SOLEDAD STATEMENT OF GOALS AND POLICIES CONCERNING USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

I. GENERAL

Section 53312.7(a) of the California Government Code requires that the City of Soledad (the "City") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act") prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act.

These Goals and Policies Concerning Use of the Mello-Roos Community Facilities Act of 1982 (the "Policies") provide guidance and conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a community facilities district (CFD) established under the Act. The Policies are intended to be general in nature; specific details will depend on the nature of each particular financing. The Policies are applicable to financings under the Act and are intended to comply with Section 53312.7(a) of the Government Code. These Policies shall not apply to any assessment financing or any certificate of participation or similar financings involving leases of or security in public property. The Policies are subject to amendment by the City Council at any time.

II. FINANCING PRIORITIES

It is the policy of the District to give priority of financing, through the use of the Act, as follows:

- a) Refinancing of pre-existing assessment liens and refunding of any bonds secured by said liens as these may affect land within the CFD;
- b) Facilities & Fees: The facilities and fees eligible to be financed by a CFD are those identified in the Act. Priority for CFD financing of public facilities and fees shall be given to public facilities and fees which: (a) are necessary for development to proceed in an orderly fashion, or (b) are otherwise coordinated to correspond to the phasing of the related private development project.
- c) Services: The services eligible to be financed by a CFD are those identified in the Act. Subject to the conditions set forth in the Act, priority for public services to be financed by a CFD shall be given to services which are (a) necessary for the public health, safety, and welfare and (b) would otherwise be paid from the City's general fund.

III. BOND FINANCINGS; CREDIT QUALITY

Value-to-Public Lien Ratio. All CFD bond issues should have at least a four to one (4:1) property value to public lien ratio after calculating the value of the financed public improvements to be installed, unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal (as described in VI below) or on assessed values as indicated on the County assessor's tax roll.

Entitlement Status. The City will require all major land use approvals and governmental permits necessary for development of land in the CFD to be substantially in place before bonds may be issued.

Reserve Fund. In most cases, a reserve fund equal to the lesser of (i) ten percent (10%) of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the bonds will be required for all bond issues where less than fifty percent (50%) of the buildable acreage has been developed. A smaller reserve fund may be required by the City for bond issues where development thresholds identified by the City have been met.

Failure to Meet Credit Criteria. Less than a four to one (4:1) property value to public lien ratio, excessive tax delinquencies, or projects of uncertain economic viability may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale. The City may consider exceptions to the above Policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the City, and/or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

IV. DISCLOSURES

Purchasers of Property. As a minimum, any disclosures mandated by applicable state law to inform prospective purchasers of their obligations under the CFD shall apply to each CFD. In addition, there may be additional requirements mandated by the City for particular kinds of financings on a case-by-case basis.

Disclosure Requirements for the Resale of Lots. The City shall provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. This notice shall be provided by the City within five (5) working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

Continuing Bond Disclosure. Landowners in a CFD that are responsible for twenty percent (20%) or more of the annual special taxes must agree to provide: (i) initial disclosure at the time of issuance of any bonds; and (ii) annual disclosure as required under Rule 15c2-12 of

the Securities Exchange Commission until the special tax obligation of the property owned by such owner drops below twenty percent (20%).

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Minimum Special Tax Levels. Special tax formulas shall provide for minimum special tax levels which satisfy the following payment obligations of a CFD: (a) 110 percent gross debt service coverage for all CFD bonded indebtedness, (b) the administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on related bonds of the CFD.

In addition, the special tax formula may provide for the following to be included in the special tax levels: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement, and liquidity facility fees, (e) the cost of acquisition, construction, furnishing, or equipping of authorized Facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, (h) the costs of Services, and (i) any other costs or payments permitted by law.

Equity of Special Tax Allocation Formula. The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

Aggregate Tax Burden. The total projected non-residential property tax levels for any CFD (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding property owners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) must be reasonable, and will be considered by the City Council on a case-by-case basis.

The total projected residential property tax levels (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding homeowners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) for any CFD (or, if a CFD has multiple improvement areas, for each improvement area and not the entire CFD) shall not exceed the lesser of (i) 2.00% of the estimated sales prices of the respective homes to be constructed in the CFD at the time the City Council adopts a resolution of intention to establish a CFD (with such prices to be determined by reference to an absorption study or appraisal prepared for the CFD or such other information as the City shall determine), or (ii) any maximum specified in the Act. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act.

The increase in the special tax levied on any residential parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Levy on Entire Parcels. Special taxes will only be levied on an entire County assessor's parcel, and any allocation of special tax liability of a County assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the City shall have no responsibility therefore and has no interest therein. Failure of the owner of any County assessor's parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

Feasibility Analysis. The City may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities and fees, City administrative costs, services, and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes, and assessments on the properties within the CFD.

VI. APPRAISALS

The definitions, standards, and assumptions to be used for appraisals shall be determined by City staff on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California (including, but not limited to, the California Debt Investment and Advisory Commission). The appraiser shall be selected by or otherwise acceptable to the City, and the appraisal shall be coordinated by and under the direction of, or otherwise be acceptable to, the City.

The appraisal must be dated within three (3) months of the date the bonds are priced, unless the City Council determines a longer time is appropriate.

All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD, if applicable, through the advance deposit mechanism described below.

VII. CITY PROCEEDINGS

Petition. For new development projects, a petition meeting the requirements of the applicable authorizing law will be required. The applicant is urged to obtain unanimous waivers of the election waiting period. In applying to the City for formation of a CFD, the applicant must specify any reasonably expected impediments to obtaining petitions, including from co-owners and/or lenders of record (where required). Waiver of the petition shall be made only upon showing of extraordinary hardship. For existing development, petitions are preferred, but may be waived, depending on the nature of the project and degree of public importance.

Deposits and Reimbursements. All City staff and consultant costs incurred in the evaluation of CFD applications and the establishment of the CFD will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments. The City shall not incur any expenses for processing and administering a CFD that are not paid by the applicant or from CFD bond proceeds. In general, expenses not chargeable to the CFD shall be directly borne by the proponents of the CFD.

Any petition for formation of a CFD shall be accompanied by an initial deposit in the amount determined by the City to fund initial staff and consultant costs associated with CFD review and implementation. If additional funds are needed to off-set costs and expenses incurred by the City, the City shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the City may suspend all proceedings until receipt of such additional deposit.

The City shall not accrue or pay any interest on any portion of the deposit refunded to any applicant or the costs and expenses reimbursed to an applicant. Neither the City nor the CFD shall be required to reimburse any applicant or property owner from any funds other than the proceeds of bonds issued by the CFD or special taxes levied in the CFD.

Representatives. The City and the applicant shall each designate a representative for each financing district proceeding. The representatives shall be responsible for coordinating the activities of their respective interests and shall be the spokespersons for each such interest. The purpose of this requirement is to avoid duplication of effort and misunderstandings from failure to communicate effectively. In the case of the City, it allows the City's consultants to report to a single official who will, in turn, communicate with other staff members.

Time Schedule. The final schedule of events for any proceeding shall be determined by the City, in consultation with its financing team and the applicant. Any changes will require approval by the appropriate City official. Time schedules will (unless specific exceptions are allowed) observe established City Council meeting schedules and agenda deadlines. To the extent possible, financings will be scheduled to allow debt service to be placed on the tax rolls with a minimum of capitalized interest.

VIII. FINANCING TERMS

All terms and conditions of any CFD bonds shall be established by the City. The City will control, manage, and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or credit rating of the City through the special taxes, credit enhancements, foreclosure covenant, and reserve funds.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond

proceeds, and reserve funds held under the bond document, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, disclosure counsel, financial advisors, appraiser, market absorption/pricing consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

IX. EXCEPTIONS TO THESE POLICIES

The City may find in limited and exceptional instances that a waiver to any of the above stated Policies is reasonable given identified special benefits to be derived from such waiver. Such waivers only will be granted by action of the City Council.