

## **CONTRA COSTA COUNTY FIRE PROTECTION DISTRICT**

### **GOALS AND FINANCING POLICIES FOR COMMUNITY FACILITIES DISTRICTS**

1. General. The Contra Costa County Fire Protection District (the “District”) has established these goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (Government Code section 53311 and following), as amended, (the “Act”) in providing adequate public services and public infrastructure improvements (the “Policies”). The Policies will apply to all Community Facilities Districts (“CFDs”) and related debt financing. The Policies may be amended or supplemented by the District Board of Directors. These Policies are designed to comply with Section 53312.7(a) of the Government Code.

2. Goals.

a. Services. It is the goal of the District that new development generate sufficient additional revenues to fund the District’s costs of providing the public services required by that development. The Board of Directors will consider the funding of services permitted under the Act to provide a portion or all of the required revenues.

b. Facilities. The Board of Directors will consider use of the Act for financing public facilities and refinancing existing liens levied or bonds issued to finance public facilities, only in connection with the prospective development of land in the District or as otherwise referenced in a development agreement to which the District is a party. Any request for a CFD which is not integral to the development of land will require amendment of these goals and policies and will be considered on a case-by-case basis.

c. Costs. All District and non-contingent consultant costs incurred in the evaluation and establishment of new CFDs and annexations to existing CFDs will be paid by the proponents of the formation/annexation. With respect to CFDs that finance facilities, the District shall use all reasonable efforts to reimburse all CFD formation/annexation costs from CFD bond proceeds if and when CFD bonds are issued. Expenses incurred by the District that are not chargeable to the CFD shall be borne by the proponent of the CFD.

3. Eligible Services. Services eligible to be funded through a CFD include all services authorized under both Government Code Section 53341.5 and Health and Safety Code Section 13862, including but not limited to fire protection and suppression services, ambulance and paramedic services, and the operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the District or by another local agency pursuant to agreement. A CFD may not finance public services already provided by a public agency.

4. Eligible Facilities.

a. Facilities eligible to be financed by a CFD, upon completion of the construction or acquisition thereof, are intended to be owned by the District, another public agency, or a public utility, and must have a useful life of five years or more, except that up to five percent of

the proceeds of a debt issue may be used for facilities owned and operated by a privately-owned public utility. The list of public facilities eligible to be financed by a CFD may include but is not limited to the following: fire stations, administrative facilities, training facilities, emergency response equipment, firefighting apparatus, and ambulances.

b. Facilities to be financed must be legally eligible under the Act and federal tax law, if applicable, to the satisfaction of bond counsel. Facilities to be financed must also be consistent with any relevant land use approval. The Board of Directors will have the final determination as to the eligibility of any facility for financing under these Policies.

c. The financing of public facilities to be owned and operated by public agencies other than the District will be considered on a case-by-case basis. If the proposed facilities are appropriate for financing by a CFD and are consistent with approved land use plans or other governmental approvals for the property, the District may consider entering into a joint community facilities agreement in order to finance the facilities. A joint agreement with the public agency that will own and operate the facilities must be entered into prior to the adoption of the resolution of formation, a resolution of change altering the CFD, or a resolution authorizing the issuance of bonds, except as otherwise permitted under the Act.

5. Priorities for CFD Financing. Priority for CFD financing will be given to public facilities and services that are necessary for development, or otherwise required to satisfy any conditions of development. The Board of Directors will have the final determination as to the prioritization of financing.

6. Credit Quality Requirements for CFD Bond Issues.

a. All CFD bond issues should have at least a three-to-one (3:1) property value-to-public lien ratio after calculating the value of the financed public improvements to be installed and any private improvements for which financing is reasonably assured, unless the Board of Directors finds and determines that the proposed bonds do not present any unusual credit risk or, by a four-fifths vote, that the proposed bond issue should proceed for specified public policy reasons. Property value may be based on either an appraisal or assessed values as indicated on the county assessor's tax roll. Any appraiser shall be selected by the District, and the appraisal must be dated within three months of the date the bonds are issued. The public lien amount shall include the bond issue currently being sold plus any public indebtedness secured by a fixed lien on real property currently existing against the properties to be taxed.

b. 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 is considered appropriate for any bond issue where less than seventy-five percent (75%) of the buildable acreage has been developed. A smaller reserve fund may be appropriate for bond issues in CFDs where seventy-five percent (75%) or more of the buildable acreage has been developed. The reserve fund may be maintained by or on behalf of a public financing authority, if such an authority purchases the CFD bonds, and need not be held under the fiscal agent agreement pursuant to which the CFD bonds are issued. Less than a three-to-one (3:1) property value-to-

public lien ratio, excessive tax delinquencies, or projects of poor economic viability may cause the District to disallow the sale of bonds or require credit enhancement prior to bond sale.

c. If the District requires letters of credit or other security in connection with the issuance of bonds for a CFD, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the District. Any security required to be provided may be discharged by the District upon the opinion of a qualified appraiser, retained by the District (at the expense of the CFD or the applicable landowner), that a value-to-lien ratio of three-to-one (3:1) has been attained. As an alternative to providing other security, a portion of the bond proceeds may be placed in escrow with a corporate agent in an amount sufficient to assure a value-to-lien ratio of at least three-to-one (3:1) on the outstanding proceeds, or other appropriate release requirements.

7. Appraisals. The definitions, standards and assumptions to be used for appraisals shall be determined by District staff on a case-by-case basis, with input from District consultants and CFD proponents, and by reference to relevant materials and information promulgated by the State of California. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent MAI appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of the District. All costs associated with the preparation of the appraisal report shall be paid by the proponents of the CFD through an advance deposit mechanism. The District shall have discretion to retain a consultant to prepare a report to verify market absorption assumptions and projected sales prices of the properties which may be subject to the maximum special tax in the CFD.

8. Disclosure Requirements for Prospective Property Purchasers. The Act requires that certain disclosure certificates regarding the existence of a CFD and the special tax obligation be provided to those individuals purchasing property within the CFD, including to interim purchasers and merchant builders. The District will require that the statutorily prescribed disclosure be made to the initial purchaser of property within a CFD, and the proponent of the CFD and/or developer will make available the information necessary to complete the disclosure certificate required for secondary transfers.

9. Equity of Special Tax Formulas and Maximum Special Taxes.

a. Special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following expenses of a CFD:

1. 10 percent gross debt service coverage for all CFD bonded indebtedness.
2. The cost of providing the authorized services.
3. The projected administrative expenses of the CFD.
4. Amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD.

b. Additionally, the special tax formula may provide for the following:

1. Any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD.
2. The accumulation of funds reasonably required for future debt service.
3. Amounts equal to projected delinquencies of special tax payments.
4. The costs of remarketing, credit enhancement, and liquidity facility fees.
5. The cost of acquisition, construction, furnishing, or equipping of facilities.
6. Lease payments for existing or future facilities.
7. Costs associated with the release of funds from an escrow account.
8. Any other costs or payments permitted by the Act and applicable law.

c. The special tax formula shall be reasonable and equitable in allocating the costs of the services and the public facilities financed by the CFD to parcels within the CFD, unless otherwise agreed to by at least the owners of two-thirds of the property to be subject to the special tax.

d. 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.

e. The total projected property tax levels for any CFD shall not exceed 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 parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

f. The District shall retain a special tax consultant to prepare a report which:

1. Recommends a special tax for the proposed CFD.
2. Evaluates the special tax proposed to determine its ability to adequately fund the identified services and /or public facilities, CFD administrative costs, and other related expenditures. The 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.

#### 10. Terms and Conditions of Bonds.

a. All terms and conditions of any CFD bonded indebtedness shall be established by the District, after consultation with the District's consultants, District staff, and the proponents of the CFD. The District will control, manage, and invest, or cause to be controlled, managed, and

invested, all CFD bond proceeds. Each bond issue shall be structured so as to eliminate any adverse impact on the bonding capacity or credit rating of the District. The Board of Directors will have the final determination as to if and when any bonds shall be issued for a CFD.

b. All statements and material related to the sale of bonds shall emphasize and state that neither the faith nor general credit of the District is pledged to security or repayment of the bonds. The sole source of pledged revenues to repay CFD bonds shall be the 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, unless otherwise specifically agreed to in writing by the District.

11. CFD Initial Costs. All District and consultant costs incurred in the evaluation of CFD applications and the establishment of CFDs or annexation into an existing CFD will be paid by the proponents of the CFD by advance deposit increments. The District shall use reasonable efforts not to incur any non-reimbursable expenses for processing and administering CFDs. In general, expenses not chargeable to the CFD shall be directly borne by the proponents of the CFD.

12. Use of Consultants. The District shall select all consultants necessary for the formation of (or annexation to) and administration of a CFD and the issuance of bonds, including the underwriter(s), bond counsel, financial advisors, appraiser, any market absorption consultant, and the special tax consultant. Prior consent of any proponent of a CFD shall not be required in the determination by the District of the consulting and financing team.

13. Continuing Disclosure. It is the intent of the District to comply with all applicable federal or state requirements regarding disclosure to insure that fair and accurate descriptions of debt issues are provided to the purchasers of the bonds. Each owner of property within a CFD is expected to provide information requested by the District, its counsel, the underwriter, its counsel, disclosure counsel, or bond counsel that is deemed necessary for disclosure purposes.

14. Amendment and Exceptions. The District reserves the right to amend or modify these Policies at any time and the right to make exceptions or grant waivers for specific financing projects, as facts and circumstances warrant.

Adopted:

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Board Chair

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Clerk of the Board