



FINANCE DEPARTMENT

Remembering what connects us.

The City has initiated a process to refinance the outstanding Community Facilities District (CFD) Mello-Roos bonds originally issued for public infrastructure at the Legacy communities of Columbus Square, Columbus Grove, and Greenwood. The City Council will consider this refinancing transaction at its May 20, 2025 public meeting.

Here are some **frequently asked questions (FAQs)** regarding the **refinancing**:

General Refinancing Questions

1. Why would a city refinance the bonds?

Like refinancing a mortgage, the CFD bond refinancing is to lower the interest rate and reduce payments required to pay off the bonds. The CFD bonds are paid from annual special tax assessments collected from property owners. Affected property owners will receive the benefits of a reduced interest rate through lower property tax bills. It is estimated that the proposed refinancing will reduce a property owner's annual property tax bill by \$93-\$530 (data as of 4/30/25, subject to change). The actual savings will vary depending on bond market conditions at the time of closing the transaction.

2. Why does the City only refinance bonds in CFD 06-1 and CFD 2014-1? How about the other CFD bonds?

The City has three CFDs at Tustin Legacy that issued bonds to fund public infrastructure. The three City CFDs are CFD 04-1, CFD 06-1, and CFD 2014-1. The bonds for CFD 04-1 already have good interest rates, therefore no refinancing is needed. The other two City CFD bonds have different interest rates and will be considered for refinancing.

3. How does refinancing a bond work?

The City issues new bonds at a lower interest rate to replace the existing bonds. The new bond proceeds are used to pay off the older, higher-interest bonds.

4. Does refinancing eliminate the Mello-Roos taxes?

No, refinancing does not remove Mello-Roos taxes, but it can **reduce** the annual tax burden if the new bonds have lower interest costs.



5. **What is the timeline for refinancing the CFD bonds?**

April 1, 2025 – Tustin City Council approved the initiation of refinancing proceedings.

May 20, 2025 – Tustin City Council meeting public hearing to consider the refinancing transaction.

June 2025 – Refinancing closing and new bonds issued.

August 2025 – New special tax assessments submitted to the County of Orange for fiscal year 2025-2026 property tax roll.

September 1, 2025 – Old CFD bonds to be paid off.

Impact on Property Owners

5. **Will my Mello-Roos tax bill go down after refinancing?**

Yes. A letter with the final savings will be mailed to individual property owners in July 2025 after the refinancing is completed.

6. **Do property owners get a say in the refinancing process?**

The Tustin City Council as the **governing body of the bond issuer** makes refinancing decisions, but a public hearing will be held for this matter on 5/20/2025 during the regularly scheduled City Council meeting. Public input is welcome.

7. **Are there any risks to refinancing bonds to the property owner?**

Since the bond term remains unchanged and benefits from a lower interest rate, property owners will experience reduced payments without extended special tax obligations. While refinancing costs (such as underwriting fees, legal fees, and transaction expenses) may be incorporated into the new bond structure, we anticipate that property owners will still achieve overall tax savings.

Financial and Bond Details

8. **Can a city refinance bonds multiple times?**

Yes, if market conditions allow for cost savings, a city may refinance Mello-Roos bonds more than once over their lifetime.



9. Does this refinancing extend the repayment period?

No, this refinancing will not extend the periods of either bond issues and related special tax obligations.

Process and Legal Considerations

11. Do all CFDs qualify for refinancing?

No, refinancing depends on factors like bond terms, interest rates, and market conditions. Some CFDs may also have restrictions on prepayment or refinancing.

12. How does a city decide to refinance a bond?

On an on-going basis, the City works with our Municipal Advisor to evaluate opportunities to refinance all City-issued bonds that would generate savings. The City's Debt Managing Policy requires a bond refinancing transaction to produce a minimum of 3% net present value aggregate savings. The proposed refinancing will generate savings above the 3% threshold for property owners and has been recommended for approval.

13. Can refinancing be used to fund new infrastructure?

No, the refinancing is to pay off old bonds and reduce interest costs, not to fund new projects.