



September 10, 2019

Riverside County Grand Jury  
P.O. Box 829  
Riverside, California 92502

RE: Open Records Request Pursuant to *"2018-2019 Grand Jury Report: Community Facilities District Bond Funding in Riverside County Perpetual Debt Under CFD and Service Area Taxes"*

**SENT VIA FAX TO (951) 955-8989 AND CERTIFIED MAIL**

Honorable Foreman and Members of the Riverside County Civil Grand Jury,

The City of Beaumont is in receipt of the Riverside County Civil Grand Jury report titled, *"2018-2019 Grand Jury Report: Community Facilities District Bond Funding in Riverside County Perpetual Debt Under CFD and Service Area Taxes,"* dated June 27, 2019.

This is a far-reaching document that refers to specific data points and sources as the basis for its findings. However, the report fails to state any specific data used to support its conclusions and fails to adequately site the specific sources used. It is important to understand the context of this report in order to fairly read and interpret the findings and recommendations. Accordingly, the City of Beaumont respectfully requests the information listed herein.

This open records request follows the structure of the Civil Grand Jury report. Below each excerpt from the report is a corresponding request for information.

Information responsive to this request is acceptable in a digital format. Please feel free to contact me directly in response via e-mail at [tparton@beaumontca.gov](mailto:tparton@beaumontca.gov).

Sincerely,

Todd Parton  
City Manager

Xc: Beaumont City Council  
John Pinkney, Beaumont City Attorney

**City of Beaumont**  
**Open Records Request – September 10, 2019**  
**Related to the Riverside County Civil Grand Jury Report Title**  
***“2018-2019 Grand Jury Report: Community Facilities District Bond Funding in Riverside County***  
***Perpetual Debt Under CFD and Service Area Taxes”***

**BACKGROUND**

*“Billions of dollars in Mello-Roos (CFD) bonds have been issued by local governments. These bonds are issued for multiple purposes and have financed police, fire, infrastructure, services, schools, sewage plants and freeway overpasses for new developments.”*

Please provide the following information:

1. All information collected that contains information regarding “Mello-Roos (CFD)” bonds issued by local governments.
2. All information collected that contains information regarding the utilization of “bonds issued” by local agencies.

**METHODOLGY**

*“Reviewed hundreds of documents from five developers doing business in Riverside County including but not limited to*

- *Master Development Agreements*
- *Disclosure Agreements*
- *Purchase Agreements”*

Please provide all documents collected from developers doing business in Riverside County.

**FINDINGS**

Disclosures:

1. *“Preliminary investigation showed that some disclosures are highly deficient or lacking altogether.”*

Please provide all information related to the preliminary investigation of disclosure documents as referred to in 1. above.

2. *“The disclosure documents reviewed by the RCCGJ contain, with few exceptions, ambiguous, complex or misleading language.”*

Please provide copies of disclosure documents reviewed by the RCCGJ as referred to in 2. above.

3. *“One developer has produced a model disclosure document.”*

Please provide a copy of the "model disclosure document" produced by the developer as referred to in 3. above.

4. *"Unannounced visits by the RCCGJ to sales offices revealed either a lack of knowledge or outright false and misleading information about CFDs being given by the sales staff to prospective buyers."*

Please provide copies of all information pertaining to the "unannounced visits by the RCCGJ" to sales offices as referred to in 4. above. Said information to include, but not be limited to, documents containing interview questions and interviewee responses.

5. *"When the finance director was asked the same question, the reply was 'I don't know what those are'."*

Please provide copies of all information pertaining to the interview of the "finance director" as referred to in 5. above. Said information to include, but not be limited to, documents containing interview questions and interviewee responses.

#### A False Economic Cost

1. *"CFD's provide the home buyer initially, with what appears to be, a lower priced home. As a result, this allows them to qualify for a home loan for which they might otherwise not qualify."*

Please provide copies of all information and studies pertaining to the following:

- a. Cost comparisons of purchase prices of homes sold within areas subject to CFD assessments and purchase prices of homes sold within areas not subject to CFD assessments.
  - b. Comparisons of home loan qualification requirements for properties located within areas subject to CFD assessments and properties within areas not subject to CFD assessments.
2. *"The lender often fails to calculate the long term escalation of costs related to the special tax on the home and the long term consequence to the home buyer."*

Please provide all information and studies pertaining to the following:

- a. Lender calculations of costs related to special taxes on a home, and
- b. Lender calculations of the long-term consequence to the home buyer of costs related to a special as referenced in 2. above.

#### Timing of Disclosure and Honesty

1. *"On site investigations and interviews by RCCGJ of prospective home buyers were told when they asked about taxes: 'Oh just the usual.'"*



Please provide all information regarding on site investigations and interviews of prospective home buyers conducted by the RCCGJ as referred to in 1. above. This information is to include, but not be limited to, notes and reports documenting interview questions and responses, times of interviews, locations of interviews, persons interviewed, and RCCGJ interviewers.

2. *"Some were lied to when they asked if a Mello-Roos tax was on the home. One sales person told a potential buyer, 'There are no CFD bonds on these homes'. There were actually three CFD's on each home."*

Please provide all information regarding the following:

- a. Documentation pertaining to the sales person comment to "a potential buyer," and
  - b. Documentation pertaining to the CFD bonds on the homes referred to in 2. above with said information including, but not being limited to, the location of the homes, and the CFD assessments for which these homes were subject.
3. *"Lengthy documents with obtuse language make it difficult for the average purchaser to comprehend their obligation until the tax bill arrives."*

Please provide copies of all documents collected by the RCCGJ that provide disclosures to purchasers or potential purchases of properties subject to CFD or Mello-Roos assessments as referred to in 3. above.

4. *"Even knowledgeable buyers complained it was written in such a legalistic way that it was undecipherable."*

Please provide all information documenting interviews with knowledgeable buyers as stated in 4. above. Said information to include, but not be limited to, the individuals interviewed, the individuals who conducted the interviews, notes and other written items documenting the questions asked by the interviewers and the responses of those interviewed, and the time and place of the interviews.

#### Escalators

1. *"These three bonds and the Ad Valorem tax amount to a seven percent escalation of all taxes. That increase compounds annually and means that within six years tax, debt has increased to perhaps more than 50% of the original amount."*

Please provide copies of all documents related to the "three bonds and the Ad Valorem tax amount" referred to in 1. above.

2. *"The bonds often contain a clause that says, 'After the Bond is paid in full (40 or more years) an amount commensurate with the continuation of facilities and services which need to be rendered may be assessed."*

Please provide copies of all documents related to the bonds referred to in 2. above.

### Long Term Development Contract

1. *"A local city council, when confronted by its citizens about the extreme indebtedness and uncontrolled development, defended its unchecked practice of approving bonds by stating in numerous meetings; 'they could not refuse to vote on the purchase of bonds due to a long-term development contract'."*

Please provide copies of all documents related to the local city council's confrontation by its citizens and its responses to them as it relates to item 1. above. Said information is to include, but not be limited to, the city which is referred to, the times, dates, and places in which the citizens confronted the city council, the specific questions asked of the city council, and the specific responses by the city council.

2. *"When RCCGJ requested a copy of the document, their legal representative stated that 'such a document does not exist'."*

Please provide a copy of the RCCGJ's requests for the document referred to in item 2. above, the response provided by the local agency, and all information provided by the local agency pursuant to the RCCGJ request(s) for information as it pertains to the RCCGJ's investigation of community facilities district bond funding in Riverside County perpetual debt under CFD and service area taxes.

3. *"Those voting on the CFDs; and in one case those supporting a lawsuit settlement favoring the developer, have received large campaign donations from the very developers whose bond sales they continue to approve."*

Please provide copies of all information pertaining to the lawsuit and settlement referred to in item 3. above. Additionally, please provide copies of all information pertaining to the campaign donations referred to in item 3. above with said information including, but not being limited to, the elected officials to which the report refers, amount of each campaign contribution, donating entity of each campaign contribution, and date of each campaign contribution.

### Bond Fund Security

1. *"When the city's legal representative was asked by the RCCGJ, 'If money is recovered, would it be put back into the bonds from which it was misused? They answered evasively 'No money was stolen or is missing from the bonds!'."*

Please provide copies of all information related to the RCCGJ's interview of the City of Beaumont's "legal representative as referred to in 1. above. Said information to include, but not be limited to, the individual interviewed, the individual(s) who conducted the interview, notes and other written items documenting the questions asked by the interviewer(s) and the responses of the interviewee, and the time and place of the interview.

### Need and Use Plan Required

1. *"The school district and the city have plans to overlay the two existing CFD Bonds with a third for school construction."*



Please provide copies of all information obtained by the RCCGJ related to the plans between the school district and the city to overlay two existing CFD bonds with a third for school construction as referred to in 1. above. Said information should include, but not be limited to, the specific school district and city referred to in 1. above, development project for which this information applies, existing bond debt, and planned bond issuance(s).

## RECOMMENDATIONS

### Timing of Disclosure and Honesty

1. *"This has been a common theme of homeowners who were questioned. They had no idea of the tax burden that they were taking on or that it could last beyond the maturity and payoff of the bond, in other words a perpetual tax."*

Please provide all information documenting interviews with homeowners who were questioned as stated in 1. above. Said information to include, but not be limited to, the individuals interviewed, the individuals who conducted the interviews, notes and other written items documenting the questions asked by the interviewers and the responses of those interviewed, and the time and place of the interviews.

### Financing Within Limits – Summary

1. *"Bond contracts of cities reviewed, state that they have no responsibility to the bond payers (home owners) for misuse or losses from these bonds."*

Please provide all information pertaining to the bond contracts cities reviewed as stated in 1. above. Said information to include, but not be limited to, the specific contracts reviewed, the specific cities for which contracts were reviewed, and any and all notes related to the review of bond contracts.

2. *"Many of these infrastructure costs in question were originally paid by the developer."*

Please provide all information pertaining the infrastructure costs referred to in 2. above. Said information to include, but not be limited to, all financial records for each infrastructure improvement, sources of funding for each infrastructure improvement, and any and all notes related to the review of the infrastructure costs.