

# MELLO? ROOS

## How It Works

- 1. A Mello-Roos Community Facilities District (CFD) is formed.** Mello-Roos is a method of financing government entities (cities, counties, school districts and other special districts) to fund the cost of public improvements. Before government entities can form a CFD, they must either obtain permission from area landowners or hold an election of registered voters within the CFD.
- 2. The municipality sells bonds on behalf of the CFD.** These bonds are sold to private investors who purchase them for tax-free interest income. The money raised through the bond sales becomes the debt obligation of the CFD.
- 3. Bond proceeds are used to pay for public improvements within the CFD.** The types of improvements which can be funded by a CFD are much broader than those types of improvements which can be funded by traditional assessment districts. For example, schools, police stations, fire stations and libraries can be constructed with CFD bond proceeds, as well as roadways, water lines, and other traditional types of public improvements. CFDs can also be formed for purposes of public facility maintenance.
- 4. Money is repaid to bondholders through the Mello-Roos special tax.** The service for the bonds is repaid by the levy of a special tax on property within the CFD. The amount of the special tax is determined by each CFD's Special Tax Formula, and may vary between property types. The special tax revenue is used to pay back the investment, repay principal and interest to bondholders. Taxation and repayment continues each year for the life of the bond issue, usually 20 to 40 years.



California  
Title Company



Orange Coast  
Title Company



Equity  
Title



First Centennial Title  
Company of Nevada



Advantage Title