



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager

Prepared by: Jason Simpson, Assistant City Manager

Date: July 25, 2017

Subject: Community Facilities District No. 2015-5 (Trieste) Authorizing the Issuance of its Special Tax Bonds, Series 2017

Recommendations

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2015-5 OF THE CITY OF LAKE ELSINORE (TRIESTE)

Authorizing the Issuance of its Special Tax Bonds, Series 2017 in a Principal Amount Not to Exceed Two Million Seven Hundred Thousand Dollars (\$2,700,000) and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith

Background

Formed in 2016, Community Facilities District No. 2015-5 (the "District") consists of the neighborhood under development known as Trieste, a planned residential community located in the northeast portion of the City, to the east of Lake Elsinore. Part of the Ramsgate Specific Plan originally adopted by City Council in 2008, the District includes the development of 75 proposed single family residential units. Residential construction is underway by the master developer and primary merchant builder, Far West Industries (Far West). Of the 75 proposed units, 39 are complete and have been conveyed to homeowners and 36 are either complete or in various stages of development and owned by Far West. Provided below is a summary of development and ownership within the District as of June 15, 2017.

Construction Stages	Total
Model Units	
Completed (Owned by Far West) ¹	3
Production Units	
Completed (Single Family Owned)	39
Completed (Owned by Far West) ²	8
Under Construction (Owned by Far West) ³	<u>25</u>
Total Planned Units	75

¹One of the Model Homes is in Escrow

²All 8 are Over 95% Complete; All are in Escrow

³All 25 are Less than 95% Complete; 19 are in Escrow

Based on projections provided by Far West, all units are expected to be sold and closed to homeowners by the end of the calendar year.

Discussion

The proposed Special Tax Bonds, Series 2017 (the “2017 Bonds”) are expected to be issued in a par amount of approximately \$2,135,000 with a final maturity of 2047 (30-year term). Proceeds from the 2017 Bonds will be primarily used to finance public facilities within the District. Final interest rates and par amount will be determined when the 2017 Bonds are priced and sold. The pricing date would be targeted for some time in early August, assuming that interest rates continue to remain attractive. The table below highlights a few estimated financing statistics of the 2017 Bonds.

Summary of Financing Statistics*	
2017 Bonds	
Par Amount	\$2,135,000
Average Bond Yield	4.26%
Estimated Cost to Home Owners	
FY 2017-18 Assessment**	\$1,481
Average Annual Assessment**	\$1,662

**Preliminary; Subject to Change; Based on Current Market Conditions*

***Annual Assigned Special Tax will increase at approximately 2% per year.*

Documents to be Approved

Approval of the attached resolution will approve and authorize the execution of the following financing documents:

- ✓ **Preliminary Official Statement**: The Preliminary Official Statement (also referred to as a “prospectus” or “offering document”) provides, among other things, a description of the issuer, the 2017 Bonds, and the sources of payment. This document allows prospective investors to make an informed investment decision regarding the purchase of bonds. The distribution of the Preliminary Official Statement is subject to federal securities laws, including the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These laws require the Preliminary Official Statement to include all facts that would be material to an investor.
- ✓ **Continuing Disclosure Certificate**: Executed for the benefit of bondholders, the Continuing Disclosure Certificate obligates the District to file an annual report which includes, among other things, the most recent audited financial statements of the City and financial data of the District. The District is also required to report certain events which are significant to bondholders if and when they occur.
- ✓ **Bond Purchase Agreement**: Pursuant to the Bond Purchase Agreement, the District agrees to sell the 2017 Bonds to the underwriter and the underwriter agrees to purchase the 2017 Bonds, subject to typical closing conditions. City staff, the financial advisor, and bond counsel will sign off on the final pricing prior to the execution of the Bond Purchase Agreement.
- ✓ **Form of Funding Agreement**: Entered into by and between the City (on behalf of the District) and Far West, the Form of Funding Agreement constitutes a formal understanding of the financial obligations and responsibilities related to the improvements to be financed by the District.

Bond Counsel and the City Attorney have reviewed the attached financing documents on behalf of the District. If this resolution is approved, City staff will continue to work with the financing team to finalize all of the aforementioned documents. As previously mentioned, the pricing date would be targeted for some time in early August, assuming that interest rates remain attractive.

Fiscal Impact

There is no cost to the City; however, the property owners are expected to pay approximately \$1,481 per parcel starting in FY 2017-18, increasing at 2% per year through 2047, as illustrated in the table on the previous page. The average assessment over the life of the 2017 Bonds is expected to be approximately \$1,662.

Exhibits:

- A Resolution
- B Indenture
- C Bond Purchase Agreement
- D Continuing Disclosure Certificate
- E Preliminary Official Statement
- F Funding Agreement