



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: May 8, 2018

Subject: Community Facilities District (CFD) No. 2007-5 (Red Kite) Authorizing the Issuance of its Special Tax Bonds, Series 2018

Recommendation

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2007-5 (RED KITE) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX BONDS, SERIES 2018 IN A PRINCIPAL AMOUNT NOT TO EXCEED TWO MILLION FIVE HUNDRED DOLLARS (\$2,500,000) AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

Background

On January 8, 2008, the City of Lake Elsinore (City) formed the CFD No. 2007-5 (District) by the adoption of Resolution No. 2008-11 and declared the necessity to incur bonded indebtedness for the District in an amount not to exceed \$2,500,000 for financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities.

The District contains approximately 10.3 gross acres and approximately 6.5 net acres and is located in the northwestern portion of the City, north of Tiller Lane and southwest of Lakeside High School. The District development consists of 46 single family detached homes. Five of the homes were constructed in 2008 and sat vacant for several years during the recession and were sold in 2014 and 2015. The remaining 41 homes have been built and marketed by Frontier Communities as "Cottage Lane". Frontier Communities began selling the homes in May of 2017 with the final home closing in early May 2018.

Discussion

The proposed Special Tax Bonds, Series 2018 (2018 Bonds) are expected to be issued in a par amount of approximately \$1,640,000 with a final maturity of 2048. Proceeds from the 2018 Bonds will be primarily used to finance public facilities benefitting the District. Final interest rates and per amount will be determined when the 2018 Bonds are priced and sold which is expected to be in mid-May, depending on market conditions. The table below highlights a few estimated financing statistics of the 2018 Bonds (based on current market conditions).

Summary of Financing Statistics*	
Par Amount	\$1,640,000
Average Bond Yield	4.43%
Average Annual Debt Service (over 30-Years)	\$96,285
Average Annual Debt Service Per Parcel	\$2,093
<i>*Preliminary; Subject to Change; Based on Current Market Conditions</i>	

As required under Section 5852.1 of the California Government Code (Code), below are the good faith estimates as provided by the Municipal Advisor and Underwriter:

- 1) As illustrated above, the true interest cost of the bonds is estimated at 4.43%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- 2) The finance charge of the 2018 Bonds, including underwriter's discount and all other fees and charges paid to third parties, is estimated at \$220,000.
- 3) Proceeds of the 2018 Bonds received by the District for the sale of the 2018 Bonds, including the estimated principal amount of the proposed 2018 Bonds of \$1,640,000 less the finance charges set forth in (b) above and an estimated amount of \$99,225 to be deposited into the reserve account under the Indenture, is equal to \$1,297,934, which will be available to finance the project.
- 4) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$2,913,161.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

Documents to be Approved

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

- ✓ Bond Indenture
- ✓ Bond Purchase Agreement
- ✓ Continuing Disclosure Certificate; and
- ✓ Preliminary Official Statement

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 mid-May, depending on market conditions.

Fiscal Impact

There is no fiscal impact to the City's General Fund. The City will however be required to provide administration for the District, which will be funded as part of the annual assessments process.

The average annual debt service attributable to each parcel, and paid by the property owner, will be approximately \$2,093 over the life of the 2018 Bonds, as illustrated on the previous page. These figures are preliminary and subject to prevailing market conditions at the time of sale.

Exhibits:

- A - Resolution
- B – Appraisal Report
- C - Bond Indenture
- D - Bond Purchase Agreement
- E - Continuing Disclosure Certificate
- F - Preliminary Official Statement
- G - Project Map