



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: FEBRUARY 11, 2020**

FROM: FINANCE DEPARTMENT **WARDS: 4**

SUBJECT: PUBLIC HEARING AND RESOLUTION AUTHORIZING ISSUANCE OF SPECIAL TAX BONDS, SERIES 2020A AND 2020B FOR COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3,000,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

ISSUES:

Conduct a Public Hearing and adopt a Resolution authorizing the issuance of the Community Facilities District No. 2015-1 (Orangecrest Grove) special tax bonds, series 2020A (Tax Exempt) and 2020B (Federally Taxable) in an aggregate principal amount not to exceed \$3,000,000, approving the financing team and authorizing the execution and delivery of associated financing documents.

RECOMMENDATIONS:

That the City Council:

1. Conduct a Public Hearing to consider the issuance of the Community Facilities District No. 2015-1 (Orangecrest Grove) special tax bonds, series 2020A (Tax Exempt) and 2020B (Federally Taxable) in an aggregate principal amount not to exceed \$3,000,000;
2. Adopt a Resolution authorizing the issuance of the Community Facilities District No. 2015-1 (Orangecrest Grove) special tax bonds, series 2020A (Tax Exempt) and 2020B (Federally Taxable) in an aggregate principal amount not to exceed \$3,000,000;
3. Approve the financing team, as identified herein, for this transaction and authorize the Treasurer or any duly authorized designee, to pay the costs of such firms in connection with this financing, from CFD 2015-1 Series 2020A and 2020B bond proceeds; and
4. Authorize the City Manager and Chief Financial Officer, or designees, to execute all documents related to the issuance of the special tax bonds for Community Facilities District No. 2015-1 (Orangecrest Grove) and the ability to make minor changes as required to carry out the financing.

BACKGROUND:

On June 23, 2015, the City Council adopted Resolution No. 22868 (Resolution of Intention) with respect to the establishment of Community Facilities District No. 2015-1 (Orangecrest Grove) (CFD 2015-1). On August 11, 2015 the City held a public hearing and a Special Election of all landowners within the proposed CFD 2015-1 regarding the formation of CFD 2015-1. At the same time, the City adopted a Joint Facilities Agreement with Riverside Unified School District, and a resolution establishing CFD 2015-1 (Resolution of Formation) and determining the necessity to incur bonded indebtedness in an aggregate principal amount not-to-exceed \$3,000,000.

The Resolution of Formation specifies that special taxes will be levied on all parcels of taxable value within CFD 2015-1 to pay the principal and interest on any bonds of the District that may be issued and sold to finance the City Facilities and School Facilities, to pay the costs of the design, construction and acquisition of the facilities, and to pay the annual administrative expenses of the City and the District in determining, apportioning, levying and collecting special taxes and paying the principal and interest on the bonds.

DISCUSSION:

The Developer of CFD 2015-1 requested the City sell bonds to reimburse them for expenses related to the formation and facility improvements associated with CFD 2015-1. The development is almost 100% completed and market conditions are advantageous for a cost-effective bond sale.

CFD 2015-1 contains 85 parcels. Such a small ownership pool makes the risk of default due to delinquency higher than in a CFD containing at least 150 parcels. In order to mitigate this default risk, staff recommends the formation of a Special Reserve fund. The Rate and Method of Apportionment (RMA), approved at formation, allows the City to levy a Special Tax on each taxable property within the CFD once a building permit has been issued. The City of Riverside first levied CFD 2015-1 in Fiscal Year 2019 based on this method. Funds levied prior to bond sale will be used to establish this Special Reserve fund to offset any risk of shortfall due to delinquent Special Tax payments.

Financing Team

The Financing Team for this transaction consists of City staff from the Finance Department, CSG Advisors, Inc serving as the Financial Advisor, Stradling, Yocca, Carlson & Rauth, acting as bond and disclosure counsel, and Raymond James & Associates, Inc. serving as Underwriter, selected based on their response to a competitive request for proposal. The total cost of issuance will be paid from financing proceeds.

Kitty Siino & Associates, Inc. conducted an Appraisal dated January 7, 2020 (Attachment 3) of certain land and existing improvements within the District to provide an estimate of the market value of the land and improvements. The Appraisal Report provides an estimate of the approximate market value of the “as-is” condition of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 85 single-family detached residential units. The Appraiser concluded that the minimum market value of all of the parcels within the District subject to the Special Tax was \$38,189,232 as of November 14, 2019 (the “Date of Value”).

Good Faith Estimates

On October 9, 2017, Senate Bill 450 (SB 450) added Section 5852.1 to the California Government Code. SB 450 requires, prior to issuance of bonds, a public agency disclose in a public meeting good faith financing estimates provided by an Underwriter, Municipal Advisor or private lender. These estimates include: a) the True Interest Cost of the bonds; b) the total finance charge of the bonds equal to the sum of all fees and charges paid to third parties; c) the amount of estimated bond proceeds minus the total finance charge of the bonds, and any reserves funded from proceeds of the bonds; and d) the total payment amount. The total payment amount should be calculated to the final maturity of the bonds.

The table below provides the estimated total finance charges associated with the bond issuance, based on estimated fees.

Estimated Cost of Issuance	
	Series 2020A/B Bonds
Bond/Disclosure Counsel (Stradling)	\$70,000
Financial Advisor (CSG)	32,500
Property Appraiser (Siino)	15,000
Trustee (US Bank)	4,000
Underwriter (Raymond James) – includes Counsel	(depending on final sale amount) ~33,000
Special Tax Consultant (Webb)	25,000
Printer	3,500
City Administration	15,000
Developer Deposit Reimbursement	50,000
Contingency	4,500
Total	~\$252,500

The good faith estimates discussed below with respect to the CFD 2015-1 (Orangecrest Grove) 2020A and 2020B Special Tax Bonds are provided by Municipal Advisor, CSG Advisors, Inc., in consultation with Underwriter Raymond James & Associates, Inc. These estimates are based on assumptions of the Estimated Principal Amount of the bonds and on market interest rates based on estimates made as of January 2020.

Principal Amount. Based on the District's financing plan and current market conditions the estimated aggregate principal amount of the Bonds to be sold is \$2,790,000 (the "Estimated Principal Amount").

True Interest Cost of the Bonds. Assuming that the Estimated Principal Amount of the Bonds is sold and based on market interest rates prevailing at the time of preparation of such estimate, the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.33%.

Finance Charge of the Bonds. Assuming the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), and including reimbursement to the developer for its costs to form the District, is \$295,000.

Amount of Estimated Bond Proceeds. The amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above,

and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$2,331,000.

Total Payment Amount. The projected sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$4,371,000, which excludes any reserves or capitalized interest funded or paid with proceeds of the Bonds (which may offset such total payment amount).

FISCAL IMPACT:

There is no fiscal impact to the City of Riverside. The cost of financing, staff administration, and the debt service on the bonds will be paid through Special Tax revenue levied on CFD 2015-1 Orangecrest Grove.

Prepared by: Heidi Schrader, Debt and Treasury Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Carlie Myers, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution of Issuance
2. Bond Indenture
3. Appraisal Report
4. Official Statement
5. Continuing Disclosure Certificate
6. Bond Purchase Agreement
7. Presentation
8. Public Hearing Notice