



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MARCH 19, 2024**

FROM: FINANCE DEPARTMENT **WARDS: 4**

SUBJECT: RESOLUTION AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS, SERIES 2024 FOR COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$5,500,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

ISSUES:

Adopt a Resolution authorizing the issuance of the Community Facilities District 2013-1 (Kunny Ranch), Special Tax Bonds, Series 2024 (Tax Exempt) in an aggregate principal amount not to exceed \$5,500,000 approving the financing team and authorizing the execution and delivery of associated documents.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution authorizing the issuance of the Community Facilities District No. 2013-1 (Kunny Ranch) Special Tax Bonds, Series 2024 (Tax Exempt) in an aggregate principal amount not to exceed \$5,500,000;
2. Approve the financing team, as identified herein, for this transaction and authorize the City Treasurer or any duly authorized designee, to pay the costs of such firms in connection with this financing from CFD 2013-1 Series 2024 bond proceeds;
3. 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. 2013-1 (Kunny Ranch) and the ability to make minor changes to these documents as required to carry out the financing; and
4. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record supplemental appropriations in the CFD 2013-1 Kunny Ranch Fund related to the issuance of the Community Facilities District No. 2013-1 (Kunny Ranch) Special Tax Bonds, Series 2024 (Tax Exempt).

BACKGROUND:

On October 22, 2013, the City Council adopted Resolution No. 22585 (Resolution of Intention) with respect to the establishment of Community Facilities District No. 2013-1 (Kunny Ranch). On December 3, 2013, the City held a public hearing and a Special Election of all landowners within the proposed CFD 2013-1 regarding the formation of CFD 2013-1. At the same time the City adopted a Resolution establishing CFD 2013-1 and a Resolution determining the necessity to incur bonded indebtedness in an aggregate principal amount not-to-exceed \$5,500,000.

The Resolution of Formation specified that Special Taxes will be levied on all parcels of taxable value within CFD 2013-1 to pay the principal and interest on any bonds of the District that may be issued and sold to finance the City 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:

Financing Team

The Financing Team for this transaction consists of City Staff from the Finance Department, Fieldman Rolapp & Associates, Inc. serving as 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 bond financing proceeds.

Kitty Siino & Associates, Inc. conducted an Appraisal dated February 9th, 2024 (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 74 single family homes. The Appraiser concluded that the minimum market value of all the parcels within the District subject to the Special Tax was \$64,628,402 as of February 9th, 2024 the “Date of Value”. If the Appraisal needs to be updated for investors due to the lapse in time between assessment and bond sale, a Supplemental Appraisal Report can be prepared bringing the date of value forward.

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 attached Resolution of Issuance (Attachment 1) Appendix A contains the details of the Good Faith Estimate, prepared by Municipal Advisor, Fieldman Rolapp and Associates, Inc., in consultation with Underwriter Raymond James & Associates, Inc. The table below provides the estimated total finance charges associated with the bond issuance, based on estimated fees.

CITY OF RIVERSIDE
CFD No. 2013-1 Kunny Ranch (The Overlook)
2024 Special Tax Bonds

\$4,190,000

Projected Cost of Issuance, Good Faith Estimates

The following table is an estimate of the costs associated with the Bonds

<u>Services</u>	<u>Interested Party</u>	<u>Payable at Closing</u>
Issuer Staff/Administrative	City of Riverside	15,000
Bond Counsel/Disclosure Counsel	Stradling Yocca Carlson & Rauth	75,000
Municipal Advisor	Fieldman, Rolapp & Associates, Inc.	39,500
Special Tax Consultant	Webb Municipal Finance, LLC	25,000
Fiscal Agent	U.S. Bank	6,000
Fiscal Agent's Counsel	Dorsey & Whitney	
Appraisal	Kitty Siino & Associates, Inc	17,500
Printer	Image master	3,000
Contingency	NA	4,000
Total Cost of Issuance		\$185,000

*Preliminary, subject to change.

Updated as of:

3/1/2024

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.3 – Enhance communication and collaboration with community members, to improve transparency, build public trust and encourage shared decision-making.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The formation of a Community Facilities District provides a transparent and equitable way to finance, administer, and report on specific infrastructure related to new development.
2. **Equity** – CFD 2013-1 (Kunny Ranch) shares the cost of infrastructure among each property owner and spreads the cost long-term across the generations of property owners that benefit from it.
3. **Fiscal Responsibility** – Payment of the Community Facilities District financing is paid over the term of 30 years through Special Tax, ensuring the cost of service is borne by those that benefit directly from it.

4. **Innovation** – Utilizing Community Facilities Districts is an innovative way to plan and direct revenue to directly support each new development.
5. **Sustainability & Resiliency** – The formation of a Community Facilities District is a long-term solution to finance and report on specific infrastructure related to development within the City.

FISCAL IMPACT:

There is no fiscal impact to the City of Riverside. While the supplemental appropriations to accommodate the debt issuance are necessary, the cost of financing, staff administration, and the debt service on the bonds will be paid through Special Tax revenue levied on CFD 2013-1 (Kunny Ranch).

Prepared by: Meline Carranza, Debt and Treasury Manager
Approved by: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/City
Treasurer
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

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