



**Board of Directors
February 20, 2019**

SUBJECT:

Adopt a Proposed Resolution of Issuance of the Board of Directors of Eastern Municipal Water District Acting as the Legislative Body of Community Facilities District No. 2014-67 (TR. 30422-3 / TR. 36437) Authorizing the Issuance of its Improvement Area A Special Tax Parity Bonds and Approving Bond Documents as to Form

BACKGROUND:

Community Facilities District (CFD) No. 2014-67 (TR. 30422-3 / TR. 36437) Improvement Area A was established on April 1, 2015, with the adoption of Resolutions No. 2015-019 and 2015-020, which established the CFD and set a not to exceed bonded indebtedness limit of \$5,000,000 in Improvement Area A. In November 2017, Special Tax Bonds were issued in an aggregate principal amount of \$2,120,000. The developer, Lennar Homes, has now requested a new money parity bond issuance to seek reimbursement for expenses related to Eastern Municipal Water District (EMWD) water and sewer fees and facilities within the development.

The property within Improvement Area A is within Tract No. 30422-3. Improvement Area A is planned for 252 single family detached homes at buildout. The development is located within the City of Menifee west of Briggs Road, south of Old Newport Road and north of Tres Lagos Road, as depicted in the Location Map (Exhibit F). Individual homeowners own more than 90 percent of the homes, therefore Lennar Homes is not required to provide a Letter of Credit. To date, there have been no prepayments of the Special Tax and the proposed bond issuance is based on the projected revenue for all of the 252 units. This parity issuance is the final bond series for CFD No. 2014-67 IA A. Although the prior year levies were calculated at the assigned rate, future levies will be calculated based on the amount required to pay the annual debt service. This change will result in an estimated savings of \$103.95 per parcel per year.

The results of the bond sale analysis (Exhibit E) are summarized in the table below. In addition to providing annual savings to the existing property owners, the parity bond issuance will further enhance the credit conditions within the CFD District. Approval of this proposed issuance will meet all bond financing requirements, including the District’s Land Secured Policy, also summarized in the following table:

Criteria	Requirement	2014-67 IA A
1. Value to Lien ⁽¹⁾	4.00:1	9.41:1
2. Delinquency Levels ⁽²⁾	Less than 5%	0.00%
3. Effective Tax Rate ⁽³⁾	2%	1.93%
4. Number of Lots	150	252

- (1) Value to Lien is based upon outstanding 2017 bonds, estimated sizing information for the 2019 bonds, and FY 2018-19 Assessed Value.
 (2) Delinquency levels as of December 5, 2018.
 (3) Reflects the average effective tax rate for developed homes based on FY 2018-19 assessed value.

On October 9, 2017, the Governor approved Senate Bill 450 (SB 450), adding Section 5852.1 to the California Government Code. SB 450 requires prior to an 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, which includes the projected sum total of all payments the CFD will make to pay debt service on the bonds, plus any portion of the finance charge of the bonds that will not be paid with the proceeds of the bonds. The total payment amount should be calculated to the final maturity of the bonds.

The estimated total finance charges associated with the bond issuance and estimated fees are shown below. The bonds will be sold via negotiated sale to the Underwriter, Stifel, Nicolaus & Company, Incorporated, at an amount not to exceed three percent of the overall principal of the issuance. All fees listed below will be paid from bond proceeds.

Projected Par Amount	\$1,845,000
District Staff/Administrative Fee	10,000
District Counsel	10,000
Bond Counsel/Disclosure Counsel Fee	65,000
Financial Advisor Fee and Expenses	34,500
Special Tax Consultant Fee	25,000
Trustee/Fiscal Agent Fee	3,750
Printer Fee	2,500
Contingency	14,250
Underwriter's Discount	50,000
Total	\$215,000

The following table includes the remainder of the SB 450 requirements. These estimates are subject to change, based upon market conditions at the time of bond sale.

Requirement	Estimate
True Interest Cost	4.54%
Estimated Bond Proceeds Minus Finance Charge ⁽¹⁾	\$1,664,542
Total Payment Amount to Maturity (9/1/2048)	\$3,785,701

(1) Less the amount to be deposited in the Debt Service Reserve Fund from Bond Proceeds and the bond issuance and estimated fees.

Approval of the Resolution of Issuance (Exhibit A) authorizes the issuance of bonds for Community Facilities District No. 2014-67 (TR. 30422-3 / TR. 36437) Improvement Area A,

approves the substantially final form of the First Supplement to Trust Indenture (Exhibit B), the Bond Purchase Agreement (Exhibit C), the Continuing Disclosure Certificate, and the Preliminary Official Statement (Exhibit D). Upon approval of the Resolution of Issuance, the General Manager, the Deputy General Manager or the Director of Finance are authorized to provide all services necessary to effect the issuance of the bonds.

Depending upon market conditions, the bonds are expected to be priced on March 5, 2019, and the financing is anticipated to close March 21, 2019.

FINANCIAL IMPACT:

None

STRATEGIC PLANNING GOAL/OBJECTIVE:

Financial Stability: Enhance and maintain the District's strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.

ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Adopt a proposed Resolution of Issuance, which authorizes the issuance of bonds in an aggregate principal amount not to exceed \$2,250,000, approves as to form the First Supplement to Trust Indenture, the Bond Purchase Agreement, the Continuing Disclosure Certificate, and the Preliminary Official Statement, and authorizes the General Manager, the Deputy General Manager, the Director of Finance, or his or her designees to provide all services necessary to effect the issuance of the bonds.

SUBMITTED BY:


Paul D. Jones II, P.E., General Manager 1/30/2019

Attachment(s):

- Exhibit A - Resolution of Issuance*
- Exhibit B - First Supplement to Trust Indenture*
- Exhibit C - Bond Purchase Agreement*
- Exhibit D - Preliminary Official Statement*

Exhibit E - Bond Sale Summary

Exhibit F - Location Map

History:

02/05/19	Board Administrative Committee	RECOMMENDED FOR APPROVAL
02/20/19	Board Meeting	

Staff Contact: Charles Turner