



Board Administrative Committee

March 7, 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. 2013-64 (Atherton and Terracina) Authorizing the Issuance of 2019 Special Tax Bonds and Approving Bond Documents as to Form

BACKGROUND:

Community Facilities District (CFD) No. 2013-64 (Atherton/Terracina) was established on December 16, 2015, with the adoption of Resolutions No. 2015-130 and 2015-131, which established the CFD and set a not to exceed bonded indebtedness limit of \$20,000,000. The CFD was formed to finance Eastern Municipal Water District (EMWD) sewer facilities cost in lieu of fees and facility improvements, and Riverside County drainage and Flood Control facilities through a Joint Community Facilities Agreement. The developer, Lennar Homes, has requested a bond sale to seek reimbursement for previously incurred expenses related to sewer fees and facilities within the development.

The property within the CFD is located within Tract Map Nos. 31597 and 32627. This CFD is planned for 318 single family detached homes at buildout. The development is located south of the City of Temecula in an unincorporated portion of Riverside County west of El Chimisal Road and north of Anza Road, as depicted in the Location Map (Exhibit F). The residential project in the CFD is part of a development called Terracina, which has two product lines known as Marbella and Toscana.

As of January 1, 2019, individuals owned 192 completed homes in the CFD. As of such date, the Developer owned 126 lots: six model homes, 62 production units under construction (27 of which were in escrow to be sold to individual homeowners), and 58 physically finished lots. Lennar Homes, owning more than 20 percent of the property assessed the Special Tax within the CFD, is required to provide a Letter of Credit (LOC) as security, per EMWD's Comprehensive Debt Policy (The Debt Policy). According to the Debt Policy, the calculation used for the security requirement is 200 percent of the estimated maximum annual debt service on the bonds, times the Owner's share of the maximum Special Tax. This is equivalent to \$425,269.81, the amount of the LOC. The security will be held to pay debt service, in any period, if Lennar's portion of the special tax is not paid. Once Lennar's Special Tax obligation drops below the 20 percent threshold, the LOC will be released.

The results of the bond sale analysis (Exhibit E) are summarized in the table below. Approval of this proposed issuance will meet all bond financing requirements as described in the Debt Issuances section of EMWDs Comprehensive Debt Policy.

Criteria	Requirement	2013-64
1. Value to Lien ⁽¹⁾	4.00:1	11.80:1
2. Delinquency Levels ⁽²⁾	Less than 5%	0.98%
3. Effective Tax Rate ⁽³⁾	2%	2%
4. Number of Lots	150	318

(1) Value to Lien is based upon estimated sizing information and FY 2018-19 Assessed Value.

(2) Delinquency levels as of December 10, 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 one and one-half percent of the overall principal of the issuance. All fees listed below will be paid from bond proceeds.

Projected Par Amount	\$8,335,000
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	112,523
Total	\$277,523

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	4.36%
Estimated Bond Proceeds Minus Finance Charge ⁽¹⁾	\$8,232,824
Total Payment Amount to Maturity (9/1/2048)	\$16,035,675

(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. 2013-64 (Atherton and Terracina), approves the substantially final form of the 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 price on April 3, 2019, and the financing is anticipated to close on April 17, 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 \$10,000,000, approves as to form the 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

2/27/2019



Laura Nomura, Deputy General Manager

2/25/2019

Attachment(s):

Exhibit A - Resolution of Issuance

Exhibit B - Trust Indenture

Exhibit C - Bond Purchase Agreement

Exhibit D - Preliminary Official Statement

Exhibit E - Bond Sale Analysis

Exhibit F - Location Map

03/20/19 Board Meeting

Staff Contact: Charles Turner