



**CITY of CALABASAS**

**CITY COUNCIL AGENDA REPORT**

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**DATE:** JANUARY 10, 2018

**TO:** HONORABLE MAYOR AND COUNCILMEMBERS

**FROM:** DR. GARY J. LYSIK, CHIEF FINANCIAL OFFICER *Gary J. Lysik*

**SUBJECT:** ADOPTION OF RESOLUTION 2018-1573 APPROVING DOCUMENTS RELATED TO THE REFINANCING OF THE CITY OF CALABASAS COMMUNITY FACILITIES DISTRICT NO. 98-1 SPECIAL TAX REFUNDING BONDS, SERIES 1999 AND THE ISSUANCE AND SALE OF THE NOT-TO-EXCEED \$4,100,000 SPECIAL TAX REFUNDING BONDS, SERIES 2018

**MEETING**  
**DATE:** JANUARY 10, 2018

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**SUMMARY RECOMMENDATION:**

Staff recommends that City Council, acting for City of Calabasas Community Facilities District No. 98-1 (the "CFD"):

1. Authorize the refunding of the City of Calabasas Community Facilities District No. 98-1 Special Tax Refunding Bonds, Series 1999 and the issuance and sale of not-to-exceed \$4,100,000 principal amount of City of Calabasas Community Facilities District No. 98-1 Special Tax Refunding Bonds, Series 2018;
2. Approve the execution of the Indenture, Refunding Escrow Agreement, and Placement Agent Agreement; and
3. Authorize the taking of certain actions in connection with the issuance and sale of such Special Tax Refunding Bonds.

**BACKGROUND:**

In 1992, prior to the incorporation of the City, the County of Los Angeles (the "County") formed a community facilities district and issued its special tax bonds to fund certain roadway and other improvements for the Parkway Calabasas Interchange. In 1999, the \$15,365,000 in Series 1992A County special tax bonds were refunded by special tax refunding bonds issued by the CFD, then newly formed by the City, with the issuance of \$12,515,000 in Series 1999 Special Tax Refunding Bonds (the "Series 1999 Bonds"). This proposed refunding is for the issuance of not-to-exceed \$4,100,000 principal amount of City of Calabasas Community Facilities District No. 98-1 Special Tax Refunding Bonds, Series 2018 (the "Series 2018 Bonds") to refund the Series 1999 Bonds.

There are four (4) parcels remaining in the CFD subject to special tax, all of which are developed. The APN's and land values from the 2017/18 Tax Roll are shown below.

APN	LANDVAL	IMPROVEVALUE	OTHEVALUE	EXEMPAMT	TOTAL
2068-003-032	4,760,533	24,449,356	-	-	29,209,889
2068-003-033	4,607,816	25,673,938	-	-	30,281,754
2068-003-034	1,610,491	-	-	-	1,610,491
2068-030-016	4,947,070	10,183,194	-	-	15,130,264
					<b>76,232,398</b>

Three of the parcels are currently owned by Kilroy Development and are being operated as commercial office space, and one parcel is owned by Homestead Development and is the site location for the Hilton Garden Inn.

**DISCUSSION / ANALYSIS:**

The interest rate on the outstanding Series 1999 Bonds is 5.74%. At the time of refunding, the interest rate on the Series 2018 Bonds will be reduced to 2.80% to yield a reduction in remaining bond debt service of approximately \$944,148 million. The interest payment dates will remain the same and there is no extension of outstanding Series 1999 Bond maturities. The net present value savings, after accounting for all costs and contributions, are projected to be \$480,083 million or 11.87% of the outstanding Series 1999 Bonds.

As a result of the proposed refunding, the property owners will enjoy a savings on average of \$94,148 per year beginning on the 2018/19 Tax Roll through the remaining term on the bonds which matures on 9/1/2028.

Special tax bonds are generally sold by public sale through a negotiation to an underwriter or by competitive sale. The Series 1999 Bonds were sold by negotiated sale. Under the current market conditions and given the short remaining (11 year) term on the Series 1999 Bonds, it is proposed to sell the Series 2018 Bonds as a bank private placement. This approach reduces the costs of issuing the Series 2018 Bonds, significantly reduces City staff time, and increases savings over a traditional bond sale given the remaining 11 year term. This structure is also advantageous to the City since no public securities will be issued. No Official Statement or similar disclosure document is required. Given that there are only two remaining property owners, the bond reserve fund will be maintained at its maximum allowable amount to protect bondholders in the event of delinquency.

Interest rate proposals for purchase were solicited from banks. After discussion and review of the bank proposals, it was determined by the City's Chief Financial Officer, in consultation with the City's financial advisor C.M. de Crinis & Co., Inc. and placement agent Hilltop Securities, to place the bonds with City National Bank. City National Bank offered the lowest rate at 2.80%. Rates from the seven other Bank proposals received ranged from 2.80% to 3.67%. The City did attempt to negotiate a sale at a rate of 2.39% with Opus Bank but Opus Bank withdrew due to internal bank regulatory issues. The City National Bank bid was the next best bid.

The bonds will be issued as bank qualified bonds under the applicable sections of the Internal Revenue Code. The City is representing that at this time it does not anticipate to issue more than \$10 million bond during calendar 2018.

The net proceeds from the sale of the Series 2018 Bonds will be deposited into an escrow fund under the Refunding Escrow Agreement, invested in Government Securities, and used to redeem the Series 1999 Bonds on March 1, 2018, the first available redemption date. Upon payment in full of the Series 1999 Bonds, the escrow bank will transfer any moneys or securities remaining in the refunding escrow, if any, to the CFD.

Once approved by the City Council, City Staff will take the remaining actions required to finalize the Series 2018 Bond documents and close the transaction. Closing is expected to occur on January 16, 2018. On such date, the Series 1999 Bonds will be refunded and defeased, to be redeemed on March 1, 2018. Between January 16, 2017 and February 28, 2018, the Series 1999 Bonds will be secured only by the deposit to the escrow fund under the Refunding Escrow Agreement.

It is appropriate at this meeting to consider for adoption the resolution of the City Council, acting for the CFD, authorizing the issuance and sale of the City of Calabasas Community Facilities District No. 98-1 Special Tax Refunding Bonds, Series 2018.

Description of Documents:

*Indenture:* Key legal document between the CFD and the bond trustee for the 2018 Bonds that lays out the legal structure and terms of the financing. It specifies payment dates, maturity dates of the bonds, revenues and accounts specifically pledged to the repayment of the bonds, flow of funds, additional debt requirements, default and remedy provisions, defeasance provisions in the event the bonds are prepaid, and covenants of the CFD (including foreclosure covenants). This document is drafted by Bond Counsel.

*Refunding Escrow Agreement:* Document between the CFD and the bond trustee for the Series 1999 Bonds governing the defeasance of the Series 1999 Bonds detailing how funds will be invested and held to pay off the outstanding Series 1999 Bonds. This document is drafted by Bond Counsel.

*Placement Agreement:* Document between the CFD and Hilltop Securities Inc. ("Hilltop Securities") governing Hilltop Securities efforts to place the Series 2018 Bonds with the purchasing bank. This document is drafted and presented by Hilltop Securities.

**FINANCIAL IMPACT / SOURCE OF FUNDING:**

Since the Series 2018 Bonds are not a debt of the City of Calabasas, there will not be any fiscal impact to the City. However, the City will recoup the costs associated with the issuance of the refunding bonds - approximately \$25,000 - and deposit those funds into the General Fund.

The public disclosures required under SB 450, effective January 1, 2018, are incorporated herein. Specifically:

The true interest cost of the bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds is currently estimated to be 2.80%.

The finance charge of the bonds, which means the sum of all fees and charges paid to third parties is estimated to be \$115,000.

The amount of proceeds received by the public body for sale of the bonds less the finance charge of the bonds described and any reserves or capitalized interest paid or funded with proceeds of the bonds is estimated to be \$3,009,585.

The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the bonds plus any finance charge of the

bonds not paid with the proceeds of the bonds. The total payment amount calculated to the final maturity of the bonds is estimated to be \$4,018,221.

**REQUESTED ACTION:**

Staff recommends that City Council, acting for the CFD, approve the refunding of the Series 1999 Bonds and the issuance and sale of not-to-exceed \$4,100,000 principal amount of the Series 2018 Bonds, the result of which would lower the annual tax bill for property owners within the CFD. The reduced tax obligation would be reflected on the land owner's next property tax bill beginning in December 2018, and the final maturity date for the bonds would remain unchanged at September 1, 2028.

**ATTACHMENTS:**

1. Resolution No. 2018-1573
2. Indenture
3. Refunding Escrow Agreement
4. Placement Agreement