



# CITY COUNCIL STAFF REPORT



August 5, 2025

## ITEM TITLE

Bond Issuance: Board of Directors of the Chula Vista Municipal Financing Authority Approve the Issuance of Refunding Revenue Bonds and the Legislative Body of CFD Nos. 07-I, 12-I, 13-I, and 2001-1 Approve the Issuance of Special Tax Refunding Bonds

**Report Number:** 25-0184

**Location:** Community Facilities District No. 07-I, Community Facilities District No. 12-I, Community Facilities District No. 13-I and Community Facilities District No. 2001-1

**Department:** Finance

**G.C. § 84308 Regulations Apply:** No

**Environmental Notice:** The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act (“CEQA”) State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## Recommended Action

- A) City Council, acting as the legislative body for City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven), adopt a resolution authorizing the issuance of its 2025 Special Tax Refunding Bonds in a principal amount not to exceed eight million dollars (\$8,000,000) and approving certain documents and taking certain other actions in connection therewith.
- B) City Council, acting as the legislative body for City of Chula Vista Community Facilities District No. 12-I (McMillan Otay Ranch Village Seven), adopt a resolution authorizing the issuance of its 2025 Special Tax Refunding Bonds in a principal amount not to exceed six million dollars (\$6,000,000) and approving certain documents and taking certain other actions in connection therewith.
- C) City Council, acting as the legislative body for City of Chula Vista Community Facilities District No. 13-I (Otay Ranch Village Seven), adopt a resolution authorizing the issuance of its 2025 Special Tax Refunding Bonds in a principal amount not to exceed two million dollars (\$2,000,000) and approving certain documents and taking certain other actions in connection therewith.
- D) City Council, acting as the legislative body for City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch), adopt a resolution authorizing the issuance of its Improvement Area B 2025 Special Tax Refunding Bonds in a principal amount not to exceed three million (\$3,000,000) and approving certain documents and taking certain other actions in connection therewith.

- E) Acting as the Board of Directors of the Chula Vista Municipal Financing Authority, adopt a resolution authorizing the issuance of its Local Agency Revenue Refunding Bonds in a principal amount not to exceed nineteen million dollars (\$19,000,000) and approving certain documents and taking certain other actions in connection therewith.

## **SUMMARY**

The Chula Vista Municipal Financing Authority (Authority) issued bonds in 2015 (2015A Authority Bonds) to refinance special tax obligations of four of the City's Community Facilities Districts. The Authority has the opportunity to refinance the 2015A Authority Bonds and reduce the special tax levies on homes within the subject Community Facilities Districts (or Improvement Area, as applicable) for the remaining 11 years that the 2015A Authority Bonds would be outstanding.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

### **Background**

During 2005 and 2006, the City issued four series of Special Tax Bonds relating to four of the City's Community Facilities Districts (CFDs) to provide a portion of the funding for new development infrastructure. In 2015, the City issued four series of Special Tax Refunding Bonds (2015 CFD Bonds) relating to the four CFDs, to refinance the original obligations. The 2015 CFD Bonds were acquired by the Authority and used to secure repayment of the 2015A Authority Bonds. Using this financing structure allowed the City to pool the CFDs and market them as one bond issue rather than each separate CFD's Special Tax Bonds being sold to the public.

The 2015A Authority Bonds are subject to an optional redemption by the Authority beginning September 1, 2025. Based on the current municipal bond market conditions, the 2015A Authority Bonds (and corresponding 2015 CFD Bonds) can be refinanced at lower rates. The refinancing will produce lower debt service, which translates into a lower tax rate for property owners in the individual CFDs affected. Other factors that will contribute to the savings, in addition to the lower interest rates, include the ability to use cash on deposit with the trustee in a debt reserve fund for the 2015A Authority Bonds to reduce the borrowing amount, and other surplus cash accumulated in the individual CFD funds from interest earnings.

Currently, the 2015 CFD Bonds are outstanding as shown below:

CFD No. 2001-1 Improvement Area B Bonds	\$ 3,410,000
CFD No. 07-I Bonds	9,190,000
CFD No. 12-I Bonds	6,615,000
CFD No. 13-I Bonds	<u>2,820,000</u>
	\$22,035,000

The refinancing structure mirrors the structure of the 2015A Authority Bonds. Each CFD will issue a series of Special Tax Refunding Bonds (2025 CFD Bonds) and the Authority will issue one series of Bonds (2025 Authority Bonds) and use the proceeds to acquire the 2025 CFD Bonds.

### Refinancing Analysis

The average interest rate on the 2015A Authority Bonds is 4.8% and they mature by 2036. Based on an expected effective interest rate of approximately 3.3% on the 2025 Authority Bonds, there is a projected savings of \$2 million (or a 9.3% reduction) in net debt service payments over the life of the 2015A Authority Bonds as a result of the refinancing and early redemption, after applying funds available held under the 2015A Authority Bonds. These savings will accrue to the CFDs and reduce the special taxes to be levied within each CFD (or Improvement Area, as applicable) for the final 11 years.

It is estimated based on current interest rates that homeowners in the four CFDs will see reductions in their special tax bill totaling between ~~\$37-47~~\$34-48 per year for attached units and ~~\$48-99~~\$44-99 per year for detached units, depending on the size of the residence (approximately 9.3%). These estimates can change based on the final market conditions at the time the 2025 Authority Bonds are sold.

In order to refinance \$22 million of the 2015A Authority Bonds that are outstanding, the City will need to raise approximately \$17.8 million from the sale of the 2025 Authority Bonds. Based on current market conditions, the par amount of the 2025 Authority Bonds is estimated to be \$16,065,000, issued with an original issue premium of \$1,762,000, and will provide total funding of \$17,827,000. The following table provides the anticipated size of the bond issue, including funding of the costs of issuance, use of funds on hand and application of the reserve fund held for the 2015A Authority Bonds to the cost to redeem the 2015A Authority Bonds.

Cost of Issuance	\$ 609,000
Prepay 2015A Authority Bonds (with Interest To September 1, 2025)	<u>22,554,000</u>
Total Refunding Requirement	23,163,000
Less 2015A Authority Bonds Reserve Fund	(2,263,000)
Less Special Taxes Available	<u>(3,073,000)</u>
Total Net Bond Proceeds	17,827,000
Original Issue Premium	<u>(1,762,000)</u>
Par Amount of Bonds Issued	\$ 16,065,000

The estimated par amount will be subject to prevailing market conditions at the time of sale. Therefore, a par amount of \$16,065,000 is being estimated but the actual issue size may be higher if the 2025 Authority Bonds are priced with a lower original issue premium or with an original issue discount based on investor preference at the time of sale.

## Professional Services

The City Council has previously approved agreements with Stradling Yocca Carlson & Rauth, LLP as Bond Counsel, Harrell & Company Advisors, LLC as Municipal Advisor and Spicer Consulting Group as the Special Tax Consultant for the 2025 Authority Bonds.

The 2025 Authority Bonds are expected to be sold at competitive sale, where all underwriters will be invited to submit bids to purchase the 2025 Authority Bonds, and the 2025 Authority Bonds will be sold to the firm offering the lowest overall interest cost.

## Authorization Process

In order to authorize the issuance of the 2025 Authority Bonds, the City Council and the Authority Board have been presented with resolutions for their consideration. The City Council will act as the legislative body of each CFD. The CFD resolutions each approve the form of the following documents in connection with the financing:

- A Local Obligation Bond Indenture of Trust (each CFD except CFD No. 07-I);
- A First Supplement to Local Obligation Bond Indenture (with respect to CFD No. 07-I)
- A Local Obligation Purchase Agreement;
- A Preliminary Official Statement.

These documents are attached hereto, in draft form, and may be modified to reflect the terms of the actual sale of the 2025 Authority Bonds.

The CFD resolutions each authorize the sale of the 2025 CFD Bonds by the City Manager or Director of Finance/Treasurer or other authorized officers, within certain parameters. The par amount of the 2025 CFD Bonds cannot exceed the following amounts:

<u>CFD/Improvement Area</u>	<u>Par Amount</u>
CFD No. 2001-1 Improvement Area B	\$3,000,000
CFD No. 07-I	8,000,000
CFD No. 12-I	6,000,000
CFD No. 13-I	2,000,000

In addition, the individual CFD resolutions require that net present value savings resulting from the refunding of each of the 2015 CFD Bonds is not less than 5%, and that the principal and total net interest cost to maturity on the 2025 CFD Bonds is less than principal and total net interest cost to maturity on the 2015 CFD Bonds.

The CFD resolutions also approve the distribution of the Preliminary Official Statement relating to the 2025 Authority Bonds.

A companion resolution is presented to the Authority Board of Directors for their consideration. The Authority resolution authorizes the sale of the 2025 Authority Bonds by the Authority Executive Director or Chief Financial Officer, or other authorized officers, within certain parameters. These parameters are: (1) the par amount of the bonds cannot exceed \$19,000,000 and (2) the net present value savings resulting from the refunding of the 2015A Authority Bonds is not less than 5%.

The Authority resolution approves the form of the following documents in connection with the financing:

- An Indenture of Trust;
- A Local Obligation Purchase Agreement;
- An Escrow Agreement;
- A Continuing Disclosure Agreement;
- An Official Notice of Sale; and
- A Preliminary Official Statement.

These documents are attached hereto, in draft form, and may be modified to reflect the terms of the actual sale of the 2025 Authority Bonds.

It is anticipated that the 2025 Authority Bonds will be issued on August 20, 2025 and the 2015A Authority Bonds will be redeemed on October 1, 2025.

### Good Faith Estimates

In connection with the approval of bonds, California Government Code Section 5852.1 requires that good faith estimates be provided of the principal amount of the bonds to be issued, the true interest cost of the bonds, the finance charge of the bonds, the amount of proceeds to be received and the total payment amount of the bonds. Set forth in the tables on the following pages are the good faith estimates provided by the Municipal Advisor with respect to the 2025 Authority Bonds and each of the 2025 CFD Bonds. The estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on June 26, 2025.

For the purpose of the estimates:

*Principal Amount of the Bonds* means the aggregate principal amount of the bonds to be sold. The estimated Principal Amount of the bonds is as follows:

<b>2025 Bonds Issued By</b>	<b>Estimated Principal Amount of the Bonds</b>
CFD 2001-1 Improvement Area B	\$ 2,395,000
CFD 07-I	7,000,000
CFD 12-I	5,125,000
CFD 13-1	1,545,000
Authority (Combined)	16,065,000

*True Interest Cost of the Bonds* means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the bonds. The estimated True Interest Cost of the bonds is as follows:

<b>2025 Bonds Issued By</b>	<b>Estimated True Interest Cost</b>
CFD 2001-1 Improvement Area B	3.21%
CFD 07-I	3.40%
CFD 12-I	3.21%
CFD 13-1	3.21%
Authority (Combined)	3.30%

*Finance Charge of the Bonds* means the sum of all fees and charges paid to third parties (or costs associated with the Bonds). The estimated Finance Charge of the bonds is as follows:

<b>2025 Bonds Issued By</b>	<b>Estimated Finance Charge</b>
CFD 2001-1 Improvement Area B	\$ 91,000
CFD 07-I	267,000
CFD 12-I	193,000
CFD 13-1	58,000
Authority (Combined)	609,000

*Amount of Proceeds to be Received* means the amount of proceeds expected to be received from the sale of the bonds, including original issue premium, less the finance charge of the bonds as described above, paid or funded with proceeds of the bonds. The estimated Amount of Proceeds to be Received from the bonds is as follows:

<b>2025 Bonds Issued By</b>	<b>Estimated Principal Amount of the Bonds</b>	<b>Estimated Original Issue Premium</b>	<b>Estimated Finance Charge</b>	<b>Estimated Proceeds to be Received</b>
CFD 2001-1 Improvement Area B	\$ 2,395,000	\$242,000	(\$ 91,000)	\$2,546,000
CFD 07-I	7,000,000	842,000	(267,000)	7,575,000
CFD 12-I	5,125,000	521,000	(193,000)	5,453,000
CFD 13-1	1,545,000	157,000	(58,000)	1,644,000
Authority (Combined)	16,065,000	1,762,000	(609,000)	17,218,000

*Total Payment Amount* means the sum total of all payments the Authority or a CFD will make to pay debt service on the bonds, plus the finance charge for the bonds, as described above, not paid with the respective proceeds of the bonds, calculated to the final maturity of the bonds, together with the sum of annual ongoing costs to administer the bonds not paid with proceeds of the bonds (such as trustee fees). The estimated Total Payment Amount for the bonds is as follows:

<b>2025 Bonds Issued By</b>	<b>Estimated Principal Amount of the Bonds</b>	<b>Estimated Interest</b>	<b>Estimated Administrative Costs</b>	<b>Estimated Total Payment Amount</b>
CFD 2001-1 Improvement Area B	\$ 2,395,000	\$701,000	\$160,000	\$3,256,000
CFD 07-I	7,000,000	2,830,000	160,000	9,990,000
CFD 12-I	5,125,000	1,504,000	160,000	6,789,000
CFD 13-1	1,545,000	453,000	160,000	2,158,000
Authority (Combined)	16,065,000	5,488,000	640,000	22,193,000

The payments on the 2025 CFD Bonds will be paid through Special Taxes levied in each CFD (or Improvement Area, as applicable) and remitted to the Authority, who will in turn pay principal and interest on the 2025

Authority Bonds. Therefore, only the amounts shown for the 2025 Authority Bonds will be paid to third parties.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2 (a) (7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

### **CURRENT-YEAR FISCAL IMPACT**

All costs associated with this refinancing are paid from bond proceeds, resulting in no current year fiscal impacts to the General Fund as a result of this action.

### **ONGOING FISCAL IMPACT**

There are no ongoing fiscal impacts to the General Fund as a result of this action.

### **ATTACHMENTS**

1. Authority Indenture of Trust
2. CFD 2001-1 Improvement Area B Bond Indenture
3. CFD 07-I Supplemental Bond Indenture
4. CFD 12-I Bond Indenture
5. CFD 13-I Bond Indenture
6. Local Obligations Bond Purchase Agreement
7. Preliminary Official Statement
8. Escrow Agreement
9. Continuing Disclosure Agreement
10. Official Notice of Sale

*Staff Contact: Sarah Schoen, Director of Finance/Treasurer*