Office of Community Investment and Infrastructure

Series 2025A & 2025B Mission Bay South Refunding Bonds

January 7, 2025

OCII

Overview

- **Enabling Authority**
  - California Health and Safety Code
    - Section 34177.5 (a)(1)(A)
  - California Government Code
    - Article 11 of Ch. 3 of Part 1 of Division 2 of Title 5

Overview

- **2025 Series A & B Purpose**

  <u>Refunding the Mission Bay South Series 2016D Bonds</u>
  - To lock in debt service savings from:
    - Lower market rates
    - Credit rating upgrade from non-rated to A-
      - ❑ 2016D bonds are subordinate and non-rated
      - ❑ 2025A&B bonds will be senior and carry that rating (currently A-)
  - Annual savings of $1.2 million
  - Total net present value savings of $5.9 million
    - Equivalent to 8.5% of the refunded principal amount

- **2016 Series D Purpose**

  - Bonds were issued to fund parks and open space design and construction, streetscape improvements, stormwater, sewer and public utility projects, and other public infrastructure projects in the Mission Bay South project area
    - $63.9 million of 2016D Bonds project funds spent on Mission Bay South public infrastructure

Approval Process

- **April 18, 2023 –** Commission approved the OCII FY23-24 budget including the issuance of $85 million in taxable and tax-exempt refunding tax allocation bonds to refund the outstanding 2016D Bonds (Reso 11-2023)
- **June 20, 2023 –** Commission conditionally authorized, subject to DOF approval, the issuance of the Bonds and certain primary bond documents (Reso 22-2023)
- **June 29, 2023 –** Oversight Board approved the issuance of the Bonds (Reso 05-2023)
- **August 29, 2023 –** The Department of Finance approved the issuance of the Bonds
- **Late 2023 –** refunding postponed as borrowing rates rose to levels that reduced net present value savings below the 3% minimum, per OCII policy
- **Late 2024 –** rates have fallen to levels that allow for significantly greater than 3% savings to be generated, so OCII has resumed the refunding process

Sources by Uses

2025 Series A and 2025 Series B Bonds

	2025A (Taxable)	2025B (Tax-Exempt)	Total
Bond Principal	4,695,000	53,540,000	**58,235,000**
Premium	0	5,733,965	**5,733,965**
2016D Reserve	473,059	5,973,691	**6,446,750**
Total Sources	**$5,168,059**	**$65,247,656**	**$70,415,715**
Refunding Escrow	5,086,997	64,237,558	**69,324,555**
Cost of Issuance	40,846	461,419	**502,265**
Underwriter's Fee	16,859	192,249	**209,107**
Bond Insurance	15,140	258,421	**273,561**
Surety Reserve	8,216	98,010	**106,226**
Total Uses	**$5,168,059**	**$65,247,656**	**$70,415,715**

The actual issuance amount will be finalized in the weeks before the bond issuance and will be based on the most up-to-date project costs and market conditions

Proposed Action

Approve POS, OS and CDC

- **Preliminary Official Statement ("POS") –** disclosure document released to potential investors prior to the sale of the bonds.
  - Informs potential investors of all information material to the legality, revenue source for repayment, and risks.
  - Must include any information that would affect a reasonable investor's decision to buy the bonds.
- **Final Official Statement ("OS") –** essentially the same as the POS but with the addition of the bond interest rates, maturity structure, final costs of issuance, sources and uses and other specifics determined after the date of the bond sale.
- **Continuing Disclosure Certificate ("CDC") –** SEC-mandated contract between the issuer of the bonds and the underwriter setting forth the information that the issuer is obligated to disclose to the market as long as the bonds are outstanding.

Next Steps

Actions Necessary to Complete the Proposed Transaction

Date	Action
January 7	Commission consideration of preliminary official statement and other actions necessary for issuance
Mid January	Bond Pricing – exact time depends on market conditions
Late January	Bond Closing – within 4 weeks of Pricing

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Questions / Comments

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