Office of Community Investment and Infrastructure

Series 2023 Bonds

Community Facilities District No. 6 (Mission Bay South Public Improvements)

OCII

November 7, 2023

Overview

- **Enabling Authority**
  - Mello-Roos Act
  - 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

- **Series 2023 CFD6 Bonds Purpose:** Refunding the Mission Bay South Series 2005A, 2005B, 2013A, 2013B and 2013C Bonds ("Prior Bonds")

  To lock in debt service savings from:

  - Lower market rates
  - Underlying credit rating upgrade from non-rated to an investment grade rating of 'A-' with a stable outlook from S&P
  - Municipal bond insurance from Assured Guaranty (AGM), rated 'AA' from S&P
  - Debt Service Reserve Fund (DSRF) surety from AGM covering 25% of the requirement
  - Remaining 75% funded with cash/bond proceeds

Sources and Uses

Series 2023 Bonds

Sources	
Bond Proceeds	$129,245,000
Net Premium	5,279,985
Prior Bonds Debt Service Reserve Funds	13,140,680
Total Sources	**$147,665,665**
Uses	
Refunding Escrow Deposit	$134,134,143
Debt Service Reserve Fund	12,552,750
Cost of Issuance	503,726
Underwriters’ Discount	475,046
Total Uses	**$147,665,665**

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

Refunding Savings

True Interest Cost	4.51%
Average Ann. Savings	$1.0M
Total Savings	$20.1M
Net Present Value (NPV) $Savings	$11.6M
NPV Savings (% of refunded bonds)	8.75%

- OCII Debt Policy requires NPV savings of at least 3% of refunded bond principal.
- Savings have declined from $17.2M (13.2% NPV) to current levels since August 2 due to a general bond market rate increase of 75 basis points (0.75%).
- Staff recommends proceeding with the refunding on schedule to lock in the still substantial savings.

Proposed Action

Approve Preliminary Official Statement, and Continuing Disclosure Certificate

- **Preliminary Official Statement** – provides detailed financial information about OCII and the 2023 Bonds before the bond sale, while the Final Official Statement updates with additional material information after the sale, ensuring compliance with federal securities laws*
- **Continuing Disclosure Certificate** – outlines OCII's commitment to disclose post-issuance information about the 2023 Bonds, such as disclosure of parity debt, debt service reserve balance, special tax delinquency information, special tax prepayments, special tax levy, assessed valuation, and value-to-lien ratios in the CFD

**Action would also authorize execution of a Final Official Statement and other closing related actions*

Next Steps

Actions Necessary to Complete the Proposed Transactions

Date	Action	Status
September 5	Commission approved Resolution 27-2023 authorizing the issuance of the 2023 Bonds and related documents and actions	Completed
September 11	Oversight Board approved Resolution 06-2023 authorizing the issuance of the 2023 Bonds and submission of documents to DOF	Completed
September 12	Submission of approved Oversight Board resolution and related documents to DOF for review and approval	Completed
October 23	DOF approval given for issuance	Completed
	PRESENT	
November 7	Commission consideration of preliminary official statement and other actions necessary for issuance	
Mid-November	Bond Pricing – exact time depends on market conditions	
End of November	Bond Closing – within 2 to 3 weeks of Pricing	

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OCII

Series 2023 Bonds

Questions / Comments