



## **CITY OF MENIFEE**

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SUBJECT: Community Facilities District 2021-1 (Banner Park), Issuance of Special Tax Bonds, Series 2023A

MEETING DATE: August 2, 2023

TO: Mayor and City Council

PREPARED BY: Lauri Lockwood, Financial Analyst

REVIEWED BY: Margarita Cornejo, Acting Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Adopt a resolution authorizing the issuance of special tax bonds and the execution and delivery of documents in connection with Community Facilities District 2021-1 (Banner Park), located northwest of Domenigoni Parkway and Lindemberger Road.

### **DISCUSSION**

#### **Background**

The City Council previously completed the necessary proceedings to establish Community Facilities District (CFD) No. 2021-1 (Banner Park) of the City of Menifee. As part of those proceedings, the City Council declared the necessity to issue bonds on behalf of the District in a principal amount not-to-exceed \$17 million to finance public facilities.

In November 2022, the District issued its first series of bonds in the principal amount of \$5,375,000 (the "2022A Bonds") to finance certain public facilities. The proposed Special Tax Bonds, Series 2023A (the "2023A Bonds") will be issued to finance the costs of additional public improvements benefitting the District. The 2023A Bonds will be payable from the Special Taxes of the District on a parity with the 2022A Bonds.

The District contains approximately 76 gross acres and approximately 56 net taxable acres, and is located in the eastern portion of the City, northwest of Domenigoni Parkway at Lindemberger Road. The Project in the District is planned for 256 Single-Family homes being marketed as "Banner Park." Pulte Home Company, LLC is the developer of the Project in the District.

Development in the District has progressed since the issuance of the District's 2022A Bonds. As of June 12, 2023, Pulte Homes had completed and conveyed 203 homes to individual homeowners and, as of such date, Pulte Homes owned 6 model homes (one of which was in

escrow), 44 homes in various stages of construction (40 of which were in escrow) and three finished lots (all of which were in escrow). Pulte Homes expects to complete and convey all homes planned within the District to individual homeowners by the end of 2024.

Annual debt service on the proposed 2023A Bonds will be sized based on the expected Special Tax revenues to be received from all 256 planned homes classified as Developed Property for Fiscal Year (FY) 2023/2024. The development and ownership status of the planned homes within the District as of June 12, 2023, is shown in the table below.

**Table 1 – Ownership and Development Summary (June 12, 2023)**

	PARCELS	IN ESCROW
<b>Individually Owned</b>		
Completed	203	--
<b>Developer Owned</b>		
Model Homes	6	1
Under Construction	44	40
Finished Lots	3	3
<b>TOTAL</b>	<b>256</b>	<b>44</b>

The resolution before the City Council authorizes the issuance of the 2023A Bonds and the execution and delivery of certain documents in connection therewith as further described in the following paragraphs.

Based on current market conditions, the 2023A Bonds are estimated to have a par amount of \$6.325 million with a final maturity of Sept. 1, 2053 (30-year financing term). The final par amount and interest rate structure will be determined when the 2023A Bonds are priced and sold.

The table below highlights financing statistics based on current market conditions.

**Table 2 – Summary of Financial Statistics\***

<b>2023A Bonds</b>	
Par Amount	\$6,325,000
True Interest Cost	5.24%
<b>Estimated Cost to Homeowners</b>	
FY 2023/2024 Assessment**	\$2,617 to \$3,174

\*Preliminary; Subject to Change; Based on Market Conditions

\*\*Annual Assigned Special Tax will increase at approximately 2% per year.

As required under Section 5852.1 of the California Government Code, below are the good faith estimates as provided by the Municipal Advisor and Underwriter (which are also provided in Attachment 2 to this Staff Report):

1. As illustrated above, the true interest cost of the 2023A Bonds is estimated at 5.24%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

2. The finance charge of the 2023A Bonds, including underwriter's discount and all other fees and charges paid to third parties, is estimated at \$285,388.
3. Proceeds of the 2023A Bonds received by the District for the sale of the 2023A Bonds, less the finance charges set forth in (2) above and the reserve fund funded with proceeds of the 2023A Bonds, is equal to \$5,508,505 which will be available to finance the Project.
4. The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$13,794,028.

The foregoing are estimates and the final amounts will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

### **Documents to be Approved**

Approval of the attached resolution, authorizes the sale of the proposed 2023A Bonds and the execution of the following documents attached to this Staff Report:

- ✓ Preliminary Official Statement
- ✓ First Supplement to the Bond Indenture
- ✓ Continuing Disclosure Certificate
- ✓ Bond Purchase Agreement

Bond Counsel and the City Attorney have reviewed the attached legal and financing documents on behalf of the City and the District. If this resolution is approved, City staff will continue to work with the financing team to finalize all the aforementioned documents. The pricing date is targeted for the week of Aug. 7, 2023, with bond closing anticipated for approximately two weeks after the pricing date.

### **STRATEGIC PLAN OBJECTIVE**

Regular City Business

### **FISCAL IMPACT**

Debt service on the 2023A Bonds as well as administrative costs of the District will be paid from Special Taxes levied within the District. There is no fiscal impact to the City's General Fund.

### **ATTACHMENTS**

1. Project Location Map
2. Good Faith Estimates
3. Resolution
4. Preliminary Official Statement
5. First Supplement to the Bond Indenture
6. Continuing Disclosure Certificate
7. Bond Purchase Agreement
8. Appraisal Report