

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE STAFF REPORT**

November 7, 2011

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
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SUBJECT: BONITA CANYON REFINANCING

ABSTRACT:

Due to favorable market conditions, the City and Newport Mesa Unified School District, as members of the Bonita Canyon Public Facilities Financing Authority, are considering refinancing certain bonds issued by the Bonita Canyon Community Facilities District.

BACKGROUND:

In 1998, the City entered into a joint powers agreement (JPA) with Newport Mesa Unified School District (NMUSD) and issued \$45,000,000 of non-rated bonds secured by the Bonita Canyon Community Facilities District (CFD). The City's portion of the bond proceeds were used to finance the acquisition and development of certain public improvements associated with Bonita Canyon development including the acquisition and development of Bonita Canyon Sports Park, school improvements and development-related circulation and frontage improvements.

POTENTIAL SAVINGS

Favorable market conditions currently exist that present the JPA with an opportunity to achieve an economic benefit by refinancing the remaining obligation. The current outstanding principal is \$39,555,000. These bonds carry an average interest rate of 5.37% and are set to mature on 9/1/2028.

NMUSD acts as the lead agency with administrative responsibilities for CFD and has set a minimum target savings level of \$200 per year for single family homeowners for the proposed refinancing. As of last week net present value savings of the refinancing were estimated at approximately \$1,390,000, which is a 3.5% savings. This would create a \$230 annual savings per single family home, which is above the minimum savings

threshold set by NMUSD. The bond market has been volatile, but rates have improved since this preliminary analysis and savings would be greater today.

TIMING & STRUCTURE

The current financing schedule calls for bond issuance approval by the JPA board in early to mid December. The CFD has a history of very low property tax delinquency. The most current continuing disclosure report lists delinquencies of less than 1%. However, because a high concentration of the special tax obligation is secured by a single property owner within the CFD, obtaining an investment grade rating is highly unlikely. Thus, the plan is to issue non-rated bonds.

CITY CONCURRENCE

The City Manager and Finance Director are the City's appointed members of the JPA. Unless otherwise directed, the City plans to support the refinancing since it will likely achieve the target savings for Newport Beach property owners within the district.

MISCELLANEOUS ISSUE

The JPA was originally comprised of the City, NMUSD and the Irvine Unified School District (IUSD). In 1999, IUSD transferred its portion of the CFD to NMUSD and ended its participation in the JPA. Though IUSD has not been active in the JPA since 1999, the transfer was not formalized. An amendment to the JPA Agreement documenting IUSD's withdrawal will be presented to the IUSD Board November 15 on the consent calendar.

Prepared by:

/s/Dan Matusiewicz

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