CITY COUNCIL AGENDA REPORT

MEETING DATE: NOVEMBER 15, 2005 **ITEM NUMBER:**

SUBJECT: REFUNDING OF OUSTANDING 1991 LOCAL AGENCY REVENUE BONDS, SERIES A

DATE: NOVEMBER 8, 2005

FROM: FINANCE DEPARTMENT /ADMINISTRATION DIVISION

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: MARC R. PUCKETT (714) 754-5243

RECOMMENDATION:

Hold public hearing and approve resolution finding significant public benefit with respect to certain capital improvements and approving the issuance and sale of Costa Mesa Public Financing Authority Revenue Refunding Bonds, Series 2005A in a principal amount not to exceed $3,000,000 for the purpose of refinancing the Costa Mesa Public Financing Authority 1991 Local Agency Revenue Bonds, Series A and financing such capital improvements.

BACKGROUND:

In 1991, the Costa Mesa Public Financing Authority issued $3,225,000 1991 Local Agency Revenue Bonds, Series A to acquire the City of Costa Mesa Community Facilities District (CFD) No. 91-1 (Plaza Tower Public Improvements) 1991 Special Tax Bonds. The Special Tax Bonds were issued to finance public improvements for Plaza Tower, 600 Anton Boulevard. The Special Tax Bonds are payable from Special Taxes levied on the property within the CFD. Since the Special Tax Bonds are owned by the Costa Mesa Public Financing Authority, the payments are remitted to the Authority, which in turn, uses those payments to pay debt service on its Bonds. The 1991 Authority Bonds are eligible for refinancing each February 1 and August 1.

ANALYSIS:

In the current interest rate environment, the Authority has an opportunity to refinance the 1991 Authority Bonds at a savings. The savings will be taken by the Authority partially as a lump sum payment at the closing of the bonds and partially as savings in annual payments. The difference in the current debt service schedule on the existing bonds and the proposed debt service schedule on the refunding bonds will summarize the total savings anticipated from this bond refunding over the remaining life of the bonds. Current and annual savings generated from this refunding will be available for use for capital improvements such as the improvements to the Tewinkle Park Ballfield Complex or other capital improvements throughout the City.

There will be no change in the outstanding 1991 Special Tax Bonds, or in the obligation of the property owner to continue to pay their special taxes. The property owner will still have the right to prepay the special tax obligation at any time, and if so, the Authority Bonds will be prepaid as well.

The outstanding principal amount of the 1991 Authority Bonds is $2,140,000 and the 1991 Bonds bear interest at an average rate of 7.1%. The remaining term of the 1991 Bonds is 17 years. The Authority can refinance the 1991 Bonds over the same term at an interest rate of approximately 5.0%. The expected principal amount of the 2005A Bonds is expected to be $2,470,000 including all costs of issuance. As discussed above, the annual payments will remain the same, but an additional $158,000 in net proceeds will be raised. This represents a present value savings of 11% of the 1991 Authority Bonds outstanding.

In accordance with Government Code Section 6586.5, the City must hold a public hearing to consider public testimony concerning the possible issuance of refunding bonds by the Authority to refund all of the outstanding 1991 Authority Bonds, and to finance certain public capital improvements, including Tewinkle Park Ballfield Complex, and other existing City facilities and street improvements within the boundaries of the City. The resolution presented approves the sale of the bonds by the Authority and finds that there is significant public benefit with the capital improvements to be financed with a portion of the proceeds of the Authority Bonds.

FISCAL REVIEW:

The Authority can refinance the 1991 Bonds over the same term at an interest rate of approximately 5.0%. The expected principal amount of the 2005A Bonds is expected to be $2,470,000 including all costs of issuance. As discussed above, the annual payments will remain the same, but an additional $158,000 in net proceeds will be raised. This represents a present value savings of 11% of the 1991 Authority Bonds outstanding. Refunding of these bonds will create an additional $158,000 in savings from the refunding issue that will be available for use for future Public Improvements.

LEGAL REVIEW:

The attached resolution has been reviewed and approved as to form by bond counsel.

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MARC R. PUCKETT
Director of Finance

Attachments:

1. A Resolution of the City of Costa Mesa, California, finding significant public benefit with respect to certain capital improvements to be located within the boundaries of the City and approving the sale of bonds in connection therewith