Public Financing Advisory Committee

Special Meeting

Friday, January 19, 2018 at 1:30 p.m.

Hall of Administration, 5th Floor Conference Room A

MEETING MINUTES

I. Call to Order/Instructions/Opening Remarks: Meeting called to order by Chair Rodecker at 1:37 p.m.

Attendees: Shari Freidenrich (Treasurer-Tax Collector), Thomas Hammond (Committee Member), Wallace Rodecker (Chair), Eric Woolery (Auditor-Controller), Michelle Aguirre (Chief Financial Officer), Suzanne Luster (Public Finance Director), and Nikhil Daftary (County Counsel)

Absent: Min Chai (Committee Member), Carl Groner (Committee Member), and John Moohr (Vice-Chair)

Suzanne Luster, Public Finance Director, asked Chair Rodecker if Item #5 could be moved up to the front of the agenda.

II. Approval of Minutes of December 7, 2017 Meeting: Member Hammond made a motion to approve the meeting minutes, Treasurer-Tax Collector Freidenrich seconded, approved unanimously.

III. Election pf Public Financing Advisory Committee 2018 Chair and Vice-Chair: This item was continued to the next meeting due to lack of quorum.

IV. Consider the proposed procedure for the future election of Public Financing Advisory Committee Chair and Vice-Chair and amend the Public Financing Advisory Committee Bylaws if required: This item was continued to the next meeting due to lack of quorum.

V. Approve recommending to the Board of Supervisors the issuance of Community Facilities District No. 2017-1 (Improvement Area No. 1) Series A of 2018 Bonds in an amount not to exceed $80 million: Louis McClure, Public Finance Manager, presented the item to PFAC.

In March 2017, the Board adopted resolutions which established Community Facilities District (CFD) No. 2017-1 and designated Improvement Area No. 1 and Improvement Area No. 2 therein. The action currently requested of the Committee relates only to Improvement Area 1. The Board resolutions authorized the levy of a special tax, determined the necessity to incur bonded indebtedness and called an election within Improvement Area 1. An election was held within the Improvement Area at which the landowners voted to approve the issuance of bonds. The estimated principal amount of the proposed Bonds is $75.8 million and the Bonds are estimated to have yields ranging from 1.8% to 3.6% depending on maturity. The proceeds of the Bonds will be used to pay for the acquisition and construction of public facilities related to the development of the community.

The development is planned for nine projects consisting of 752 residential units, of which 628 are expected to be market-rate units and 124 are expected to be age-qualified units. The development will be undertaken by the following merchant builders: William Lyon Homes, Meritage Homes, The New Home Company, Pulte Homes and CalAtlantic Group. The Market Absorption Report prepared by Empire Economics estimates that all residential units will be sold by 2022. The market value of the land and improvements in Improvement Area 1 was appraised at $240 million, as of November 15, 2017. The estimated total tax rates within the Improvement Area range from 1.8% to 2.0% of the estimated market value of the units at the time of sale. This estimated tax burden includes the overlapping debt of the Santa Margarita Water District, the Capistrano Unified School District and the Metropolitan Water District, as well as the base property tax rate of 1%. With the estimated tax burden being 2% or less of the estimated market value, CFD 2017-1 is in compliance with County policy. The Mello-Roos Act provides that a CFD may sell bonds only if the value of the property subject to the special tax will be at least three times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied on the property. This is referred to as the value-to-lien test. The County's special tax consultant has calculated the value-to-lien ratio at 3.14 to 1.

Staff recommended the issuance of the Bonds based on the following: The proposed Bonds are in compliance with County policies and the Mello-Roos Act. The value of the Improvement Area will continue to increase with the building and development of the project. The analysis by Empire Economics indicates a favorable project absorption period. Both the developer and merchant builders have a history of success in Orange County. This CFD is consistent with the County's formation and financing of previous CFDs and supports the County's commitment to construct public improvements as development occurs.

Member Hammond wanted to clarify that the way these bonds work is that the bondholder's collateral is the special tax that will be levied on the properties and the developers nor the merchant builders really have an obligation to pay.

Suzanne Luster, Public Finance Director, added that while the properties are being sold the ownership interest is a builder or master developer and the security is the land. Thus, the master developers and the builders have an obligation to pay this special tax until they sell to the individual owners. If they didn't pay, the County has the right to foreclose on those properties. The CFD is part of the Teeter program.

Joe Janczyk with Empire Economics responded to Treasurer-Tax Collector Freidenrich's question regarding the impacts of recent tax changes.

Chair Rodecker called for a vote, and the recommended actions were approved unanimously.

Auditor-Controller Woolery excused himself after this item and the remaining agenda items, Items #3 and #4, were continued to the next meeting due to lack of quorum.

VI. Public Comments: None

VII. Committee Comments: Chair Rodecker expressed an interest in a tour of Ranch Mission Viejo. Suzanne Luster, Public Finance Director, stated that she would work with the developer to schedule a tour.

VIII. Date of next meeting: February 8, 2018

IX. Adjournment: Meeting adjourned at 1:57 p.m.