

**CITY COUNCIL/TEMECULA PUBLIC FINANCING AUTHORITY
AGENDA REPORT**

TO: City Manager/City Council Members
Executive Director/Board of Directors

FROM: Aaron Adams, City Manager/Executive Director

DATE: November 12, 2024

SUBJECT: Approve Deposit/Reimbursement Agreement and Initiate Community Facilities District Formation Proceedings Related to the Elderberry Park Development

PREPARED BY: Jennifer Hennessy, Director of Finance/Treasurer

RECOMMENDATION: That the City Council/Board of Directors adopt resolutions entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING A DEPOSIT/REIMBURSEMENT AGREEMENT – ELDERBERRY PARK

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY ACKNOWLEDGING RECEIPT OF A DEPOSIT RELATIVE TO THE FORMATION OF A COMMUNITY FACILITIES DISTRICT, AND AUTHORIZING AND DIRECTING ACTIONS WITH RESPECT THERETO – ELDERBERRY PARK

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY REGARDING INTENTION TO ISSUE TAX-EXEMPT OBLIGATIONS

BACKGROUND: The Authority has received a request from Woodside 05S, LP, a California limited Partnership (the “Developer”), that expects to develop certain property in the City, that the Board of Directors of the Authority, with the assistance of City Staff and the Authority’s and the City’s consultants, form the Temecula Public Financing Authority Community Facilities District No. 25-01 (Elderberry Park) (the “CFD”). The proposed CFD would be authorized to issue special tax bonds (the “Obligations”) in order to finance various public improvements necessitated by the development of the property in the area of the CFD, as well as

to fund various municipal services. The property to be developed consists of approximately 42.63 acres of property located within the City, including Riverside County Assessor's Parcel Numbers 959-400-001 and 949-400-002.

The Developer has submitted to the Finance Director of the City a check in the amount of \$145,000 (the "Deposit"), to be used by the City to pay costs of the City and the Authority to form the CFD and issue the Obligations. Pursuant to a Deposit/Reimbursement Agreement (the "Agreement") to be entered into by the Developer, the City and the Authority, and to be administered by the City, funds advanced by the Developer for CFD costs, including the Deposit, will be reimbursed to the Developer upon the issuance and from proceeds of the Obligations.

The City may elect to advance certain of its own funds toward the Project. The City will advance funds on the understanding that it can be reimbursed for amounts expended on the Project from the subsequent sale of the Obligations. The Internal Revenue Code has certain requirements that need to be satisfied in order for a public agency to be reimbursed for costs incurred for capital projects in advance of the sale of tax-exempt Obligations. In order to qualify the City for reimbursement of such costs from the proceeds of the execution and delivery of the Obligations, the Authority Board must adopt a Reimbursement Resolution which satisfies all of the requirements of the Internal Revenue Code within 60 days of the date on which the expenditures have been made.

The Authority's bond counsel has prepared the attached "Reimbursement Resolution" which complies with applicable requirements of the Internal Revenue Code and allows the Authority to reimburse the City for any advanced Project costs from the proceeds of the sale of the Obligations. The adoption of the Reimbursement Resolution does not obligate the Authority or the City to ever advance funds toward the Project. The adoption of the Reimbursement Resolution preserves the option for the Board to decide at a subsequent date whether or not it would be in the best interests of the Authority or the City to allocate a portion of any proceeds of the sale of the Obligations towards the reimbursement of the monies the City might spend on the Project.

There is a reference in the Reimbursement Resolution to \$10,000,000 as the reasonably expected maximum principal amount of the Obligations. The Internal Revenue Code obligates this resolution to include an estimated size of the borrowing from which the reimbursement will occur. The Authority is not required to maintain this \$10,000,000 amount. It is included to satisfy a legal requirement and constitutes only a rough estimate of the likely size of the Obligations that the Authority Board may consider. If the Board were to sell a smaller borrowing, such decision would not adversely affect its ability to use a portion of the proceeds of the Obligations to reimburse the City for these costs.

SPECIFIC ACTIONS: The City Council to consider the adoption of the Resolution approving the Agreement and authorizing actions necessary to implement the Agreement. The Board of Directors to consider the adoption of (a) the Resolution acknowledging receipt of the Deposit, directing staff to present to the Board of Directors the proceedings to form the CFD and authorize the issuance of the Obligations, and designating and authorizing the Executive Director to execute agreements with Webb Municipal Finance, LLC as Special Tax Consultant, Fieldman Rolapp & Associates, Inc. as Municipal Advisor, and Stradling Yocca Carlson & Rauth LLP as

Formation Counsel to assist in the formation and authorization proceedings and (b) the Reimbursement Resolution regarding the intention to issue tax-exempt obligations.. The passage of these Resolutions does not obligate the City Council or the Board of Directors to form the CFD or to issue the Obligations.

FISCAL IMPACT: The City has received an initial \$145,000 deposit from the Developer; these funds will be expended in accordance with the Deposit/Reimbursement Agreement. Provisions in the Deposit/Reimbursement Agreement require the Developer to deposit additional funds as necessary to cover all costs of formation of the CFD. There is no fiscal impact to the Authority or the City.

Adoption of the Reimbursement Resolution does not obligate the Authority or the City to incur debt or other obligations or to undertake any project. Adopting the proposed Reimbursement Resolution would preserve the ability of the Authority to reimburse capital improvement expenditures of the Authority and City from proceeds of the Obligations, if issued.

ATTACHMENTS:

1. City Council Resolution – Approving Deposit Agreement
2. TPF Resolution – Acknowledging Receipt of A Deposit
3. TPF Resolution – Intention to Issue Tax-Exempt Obligations
4. Deposit/Reimbursement Agreement