

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

**TO:** City Council/Board of Directors

**FROM:** Aaron Adams, City Manager/Executive Director

**DATE:** February 14, 2023

**SUBJECT:** Approve Issuance of Special Tax Bonds for Temecula Public Financing Authority Community Facilities District No. 16-01 (Roripaugh Ranch Phase 2)

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**PREPARED BY:** Jennifer Hennessy, Director of Finance/Treasurer

**RECOMMENDATION:** That the City Council / Board of Directors hold a public hearing relating to the proposed issuance of special tax bonds for the Temecula Public Financing Authority Community Facilities District No. 16-01 (Roripaugh Ranch Phase 2), and adopt the resolutions entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA MAKING FINDINGS WITH RESPECT TO AND APPROVING THE ISSUANCE OF BONDS BY THE TEMECULA PUBLIC FINANCING AUTHORITY

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS FOR THE TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 16-01 (RORIPAUGH RANCH PHASE 2), AND APPROVING RELATED DOCUMENTS AND ACTIONS

**BACKGROUND:** In 2016, the Temecula Public Financing Authority (the “Authority”) Community Facilities District No. 16-01 (Roripaugh Ranch Phase 2) (the “CFD”) was formed, and subsequently \$42,815,000 principal amount of bonds were issued in 2017 (the “2017 Bonds”) by the Authority for the CFD to finance various public facilities required for the development of the property in the CFD. The 2017 Bonds are payable from the proceeds of an annual special tax levied on property in the CFD.

The Authority received a request from Woodside 05S, LP, a California limited partnership (the “Developer”) to annex certain property to Zone 1 of the CFD and issue special tax bonds for the

CFD (the “2023 Bonds”), payable from special taxes levied on property in the CFD and in the property proposed to be annexed to the CFD on a parity with the 2017 Bonds, all in order to provide funds to finance costs of improvements authorized to be financed by the CFD in excess of available proceeds of the 2017 Bonds.

The Developer has submitted to City of Temecula (the “City”) a check in the amount of \$82,500 (the “Deposit”), to be used by the City to pay costs of the City and the Authority in connection with the annexation of property to the CFD and the issuance of the 2023 Bonds. Pursuant to a Deposit/Reimbursement Agreement (the “Agreement”), entered into in August of 2022 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 from proceeds of the issuance of the 2023 Bonds.

On August 23, 2022, the City Council adopted a resolution approving the Agreement and the Board of Directors of the Authority adopted two resolutions pertaining to the annexation of territory to the CFD and the levy of special taxes within the area proposed to be annexed.

Section 6586.5 of the California Government Code requires that the City, following the conduct of a public hearing, approve the financing of public improvements with proceeds of the 2023 Bonds, and make a finding of significant benefit from such financing. The City held a similar public hearing and adopted similar approving resolution in connection with the issuance of the 2017 Bonds. A notice of the public hearing for the 2023 Bonds has been duly published in accordance with the requirements of the Government Code.

If the City Council holds the public hearing and adopts the Resolution, and the Board of Directors adopts a resolution authorizing the issuance of the 2023 Bonds, it is anticipated that the sale of the 2023 Bonds will occur early March and close mid-March 2023.

**BACKGROUND TPGA:** In 2016, the Temecula Public Financing Authority (the “Authority”) Community Facilities District No. 16-01 (Roripaugh Ranch Phase 2) (the “CFD”) was formed, and subsequently \$42,815,000 principal amount of bonds were issued in 2017 (the “2017 Bonds”) by the Authority for the CFD to finance various public facilities required for the development of the property in the CFD. The 2017 Bonds are payable from the proceeds of an annual special tax levied on property in the CFD.

The Authority received a request from Woodside 05S, LP, a California limited partnership (the “Developer”) to annex certain property to Zone 1 of the CFD and issue special tax bonds for the CFD (the “2023 Bonds”), payable from special taxes levied on property in the CFD and in the property proposed to be annexed to the CFD, to provide funds to finance costs of improvements authorized to be financed by the CFD in excess of available proceeds of the 2017 Bonds.

On August 23, 2022, the Board adopted a resolution of intention to annex territory owned by the Developer to the CFD and levy special taxes on the property proposed to be annexed, and set the date for a public hearing regarding the annexation for September 27, 2022. On September 27, 2022, the Board conducted a public hearing regarding the annexation and the special tax levy and, following the results of a special election held on that date where the Developer, the then

owner of all the property to be annexed, voted in favor of the annexation, the Board authorized the annexation and special tax levy on the property to be annexed to the District and recorded the amendment to the notice of special tax lien.

The 2023 Bonds are planned to be comprised of current interest bonds (“CIBs”) and capital appreciation bonds (“CABs”). The interest on both the CIBs and the CABs is exempt from federal and California income taxes and the payment of debt service on the 2023 Bonds is fully supported by special tax revenues payable from taxable property within the District. Unlike the conventional CIBs that pay interest semi-annually, CABs require no payment until maturity, or upon earlier redemption, at which the full amount of the principal and all interest accrued must be repaid to the investor as a single lump sum. The 2023 Bonds will be secured on parity with the 2017 Bonds. This structure was utilized to leverage the special tax revenues in the years beyond 2047 (the final maturity of the 2017 Bonds) through 2053 (reflecting a 30-year term for the 2023 Bond sale).

While the CFD has been levying Special Taxes since FY 2017-18, the Fiscal Year 2022-23 special tax levy was the first where individual homeowners had acquired property within the boundaries of the CFD and were levied annual special taxes. It is anticipated that, as a result of the annexation and the issuance of the 2023 Bond Sale, at buildout, parcels of developed property will see an annual savings related to their facilities special tax.

**SPECIFIC ACTIONS:** The City Council to hold the public hearing and consider the adoption of the Resolution.

The Board adopt the resolution authorizing the issuance of the 2023 Bonds and approving the documents related thereto. These documents include the following:

**Amended and Restated Fiscal Agent Agreement.** Agreement between the Authority and U.S. Bank Trust Company, National Association, (the “Fiscal Agent”) that includes the terms of the 2017 Bonds and that specifies the terms of the 2023 Bonds, it also provides for the funds and accounts to be held by the Fiscal Agent, the bond redemption provisions and the certain covenants of the Authority with respect to the 2017 and 2023 Bonds.

**Purchase Contract.** Contract between the Authority and Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), whereby the Authority agrees to sell the 2023 Bonds to the Underwriter and the Underwriter agrees to buy the 2023 Bonds from the Authority and sell them to the public.

**Preliminary Official Statement.** Disclosure document used by the Underwriter to inform investors about the upcoming bond sale and provide all material information for the potential investors to make a decision whether or not to buy the 2023 Bonds.

**Continuing Disclosure Agreement (in the form appended to the Preliminary Official Statement).** Specifies the Authority’s obligation to provide annual disclosure to the municipal bond market related to the 2023 Bonds by preparing and filing annual disclosure reports, and it provides for the Authority to give notices of certain material events related to the CFD and the 2023 Bonds, if they occur.

If the resolution is adopted by the Board, it is anticipated that the sale of the 2023 Bonds will occur in early March and close by the middle of March.

**FISCAL IMPACT:** None. The 2023 Bonds will not be obligations of the City, or general obligations of the Authority, but will be limited obligations of the Authority for the CFD payable solely from special taxes levied on land in the CFD.

**ATTACHMENTS:**

1. Resolution – City
2. Resolution – Temecula Public Financing Authority (TPFA)
2. Amended and Restated Fiscal Agent Agreement
3. Bond Purchase Agreement
4. Preliminary Official Statement (including Continuing Disclosure Agreement)