

MOSSDALE VILLAGE REFINANCING

CITY COUNCIL REGULAR MEETING

ITEM 5.1

MAY 8, 2023



BACKGROUND



- ❑ In 2003, the City issued Mossdale Village Community Facilities District (CFD) 2003-I and Mossdale Village Assessment District 03-I (AD), Series 2003.
 - ❑ The CFD debt was issued to construct the Mossdale Landing and the Lathrop Station Urban Design Concept Projects share of the water delivery system established under the South County Surface Water Supply Project (SCSWSP) and other water facilities.
 - ❑ The AD debt financed infrastructure improvements in the Mossdale Village area including: offsite water supply, recycled water supply, sewer collection and storm drain piping, a 750,000 gallon per day membrane biological reactor wastewater treatment facility, offsite storm drain outfalls and retention and detention basins, a common water storage tank and a common sanitary sewer pumping station as well as all appurtenances and utility improvements necessary to support the infrastructure.
- ❑ In 2013, the City refunded both the Mossdale CFD and the Mossdale AD (Mossdale CFD/AD Refinancing).
 - ❑ The refunding had a net present value savings (NPV) of \$1.03 million and saved residents an average of \$49 per year.
- ❑ The City has the opportunity to once again refinance the Mossdale CFD/AD and related obligations.
 - ❑ Based on current and recent market conditions, it is estimated that a refunding would have net present value savings (NPV), net of issuance costs in the range of approximately \$840,000 to \$1.12 million and an average annual savings per household of \$44 to \$58 for property located in both districts.

**City of Lathrop and
Lathrop Financing Authority**

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**KNN Public Finance
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**Stifel
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**Additional Financing
Team Members**

Bond & Disclosure Counsel: Jones Hall- Dave Fama & James Wawrzyniak
Special Tax Administrator & Reassessment Engineer: NBS- Sara Mares & Nick Dayhoff
Underwriter's Counsel: Best Best & Krieger LLP- Kim Byrens & Jennifer Bradlee

REFUNDING HIGHLIGHTS



- ❑ In recent months, Staff has completed a refunding analysis for the Mossdale Village Refunding 2013, Series A (Mossdale CFD/AD Refinancing).
- ❑ The City's municipal financial advisor, KNN Public Finance (KNN) evaluated alternative methods for the sale for the refunding bonds being a direct purchase/private placement with a single institution and a public offering whereby an underwriting firm sells the refunding bonds to multiple investors. KNN also evaluated selling the bonds with and without a credit rating and concluded that a public offering with a credit rating would likely produce the lowest overall interest and upfront costs.
- ❑ The existing obligations currently consist of approximately \$12.335 million in outstanding principal, has a final maturity date of September 2, 2035 and has an average remaining interest rate of 5.57%.
- ❑ Based on current and recent market conditions, it is estimated that a refunding would have a net present value savings (NPV), net of issuance costs of approximately \$840,000 to \$1.12 million and an average annual savings per household of approximately \$44 to \$58 for property located in both districts.
- ❑ A common industry standard for minimum savings when doing a refinancing is to attain net present value savings of at least three percent of the principal amount of bonds refunded, a metric which is also reflected in the City's debt policy. The estimated net present value savings range indicated above represents 6.8% to 9.1%. Actual savings will be determined at the time of the sale.

RECOMMENDATION:



- Staff is recommending Council give the City Manager and the Finance Director the authority to proceed with the refinancing of the 2013 Authority Bonds, 2013 Mossdale Village CFD Bonds and the 2013 Mossdale Village Reassessment Bonds. The savings realized by the refinancing will reduce the special tax and reassessment levies for the property in the two Mossdale districts.