

City of Beaumont

Proposed Refunding of Outstanding
Bonds Associated with CFD No. 93-1

April 6, 2021



Overview of Outstanding Bonds and Proposed Refunding

- ▶ **Four Series of Bonds Associated with Five Improvement Areas of CFD No. 93-1 Structured with 10-Year Optional Call Dates at the Time of Issuance**
 - ▶ September 1, 2022 (Improvement Areas 7B, 7C, and 20) and September 1, 2023 (Improvement Areas 17A and 19C)

Outstanding Bonds: Improvement Areas 7B, 7C, 17A, 19C, and 20								
<u>Issue</u>	<u>Area</u>	<u>Parcels</u>	<u>Date</u>	<u>Par Outstand</u>	<u>Term</u>	<u>Rate</u>	<u>Optional Call</u>	<u>Ratings</u>
2012B Bonds	20	106	Apr 2012	\$2,870,000	2035	5.95%	Sept 1, 2022	Non-Rated
2012C Bonds	7B	237	Jun 2012	\$1,740,000	2039	5.25%	Sept 1, 2022	
	7C	318		\$1,580,000	2039	5.25%	Sept 1, 2022	
2013A Bonds	19C	668	Jan 2013	\$5,480,000	2036	5.00%	Sept 1, 2023	
2013B Bonds	17A	<u>485</u>	Apr 2013	<u>\$8,410,000</u>	2034	5.00%	Sept 1, 2023	
TOTALS		1,814		\$20,080,000				

- ▶ **Post 2017 Tax Reform, Tax-Exempt Advance Refundings No Longer Permitted**
 - ▶ However, Issuers can Advance Refund on a *Taxable* Basis
 - ▶ Otherwise, City would Have to Wait ~2 Years to Refinance All on a Tax-Exempt Basis

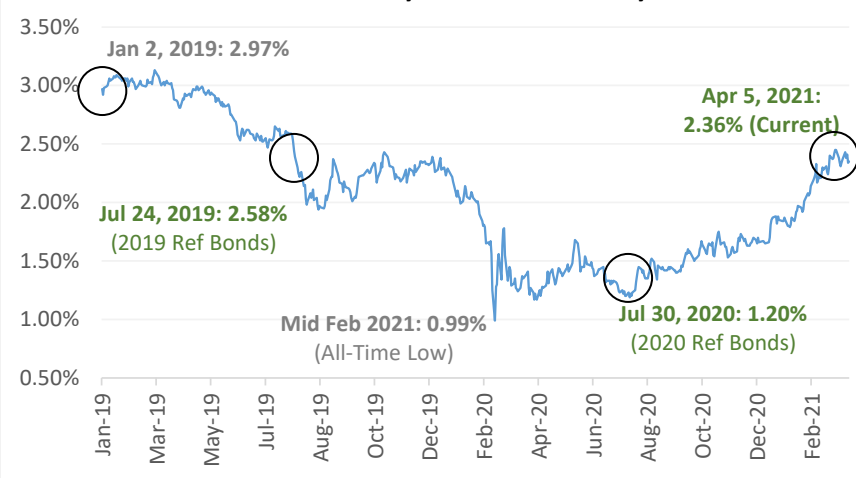
Market Update

- ▶ **Interest Rates have Increased Since March 2020 (Start of the COVID-Induced Recession); However, Remain Near Historic Lows**
 - ▶ 30-Year US Treasury Yield at 2.36% as of April 5, 2021

10-Year History of the 30-Year US Treasury Yield



30-Year US Treasury Yield Since January 2019



Council Guidance: Proceed with the Refinancing

▶ Estimated Savings Based on Market Conditions as of April 5, 2021

Estimated Savings: Improvement Areas 7B, 7C, 17A, 19C, and 20						
<u>Improvement Area</u>	<u>IA 7B</u>	<u>IA 7C</u>	<u>IA 20</u>	<u>IA 19C</u>	<u>IA 17A</u>	<u>AGGREGATE</u>
Property Owners	237	318	106	668	485	1,814
Par Amount	\$1,635,000	\$1,490,000	\$2,630,000	\$5,010,000	\$8,120,000	\$18,885,000
True Interest Cost	3.1%	3.1%	2.6%	2.4%	2.5%	2.6%
NPV Savings (\$)	\$212,953	\$193,120	\$435,390	\$167,291	\$317,535	\$1,326,288
NPV Savings (%)	12.2%	12.2%	15.2%	3.1%	3.8%	6.6%
Annual Savings	\$29,850	\$26,683	\$71,038	\$67,081	\$108,272	\$245,881
Annual Savings/Parcel	\$125.95	\$83.91	\$670.17	\$100.42	\$223.24	\$135.55
Aggregate Savings	\$537,292	\$480,289	\$994,526	\$1,006,220	\$1,407,537	\$4,425,864

- ▶ **Breakeven Savings Analysis:** If the City Waits 2 Years (2023) Until All Bonds are *Currently* Callable (Qualifying for a Tax-Exempt Refunding), How Much Could Tax-Exempt Rates Increase Before Estimated Savings Equal those of the Proposed Taxable Refunding? **1.30%**

Council Guidance: Establish NPV Threshold

- ▶ **Government Finance Officers Association (GFOA) Best Practices Frequently Mentions 3-5% NPV Savings to Determine Appropriateness of Refinancing**
 - ▶ Council Discretion to Set NPV Threshold at Individual or Aggregate Level

Estimated Savings: Improvement Areas 7B, 7C, 17A, 19C, and 20

<u>Improvement Area</u>	<u>IA 7B</u>	<u>IA 7C</u>	<u>IA 20</u>	<u>IA 19C</u>	<u>IA 17A</u>	<u>AGGREGATE</u>
Property Owners	237	318	106	668	485	1,814
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Aggregate Savings	\$537,292	\$480,289	\$994,526	\$1,006,220	\$1,407,537	\$4,425,864

- ▶ **Council Set Individual 7% NPV Threshold for the Local Agency Refunding Bonds, Series 2020A, that Priced August 2020**

Council Guidance: Remove Escalating Structure

- ▶ **Staff Practice with All Refinancing Opportunities: Evaluate Economics of Removing 2% Escalating Debt Structure**
- ▶ **Improvement Areas 7C and 20 have Escalating Debt Structures**

Estimated Savings: Improvement Areas 7B, 7C, 17A, 19C, and 20

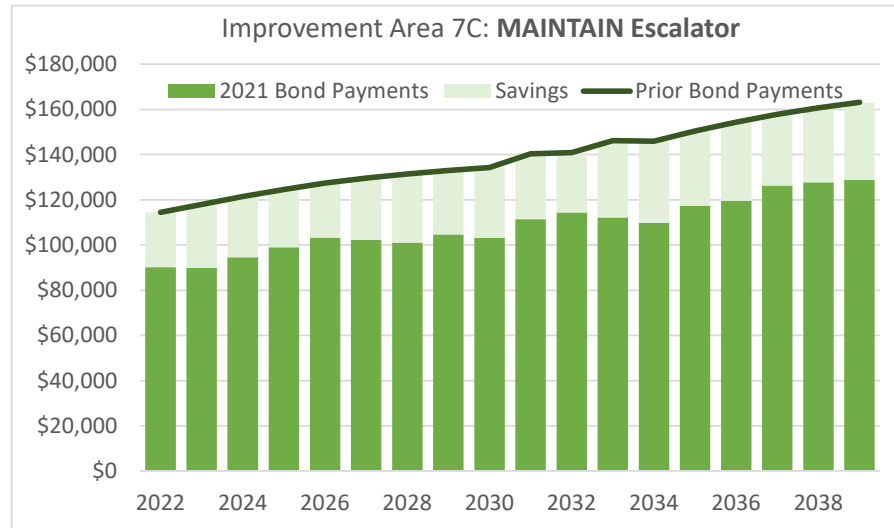
<u>Improvement Area</u>	<u>IA 7B</u>	<u>IA 7C</u>	<u>IA 20</u>	<u>IA 19C</u>	<u>IA 17A</u>	<u>AGGREGATE</u>
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Par Amount	\$1,635,000	\$1,490,000	\$2,630,000	\$5,010,000	\$8,125,000	\$18,885,000
True Interest Cost	3.1%	3.0%	2.6%	2.4%	2.5%	2.6%
NPV Savings (\$)	\$213,633	\$209,891	\$447,607	\$167,419	\$314,081	\$1,360,010
NPV Savings (%)	12.3%	13.3%	15.6%	3.1%	3.7%	6.8%
Annual Savings	\$29,874	\$29,986	\$74,684	\$66,295	\$107,911	\$251,484
Annual Savings/Parcel	\$126.05	\$94.30	\$704.56	\$99.24	\$222.50	\$138.63
Aggregate Savings	\$537,729	\$539,751	\$1,045,571	\$994,431	\$1,402,845	\$4,526,709

- ▶ **Council has Discretion to Maintain or Remove Escalator on Individual Basis**

Council Guidance: Remove Escalating Structure (IA-7C)

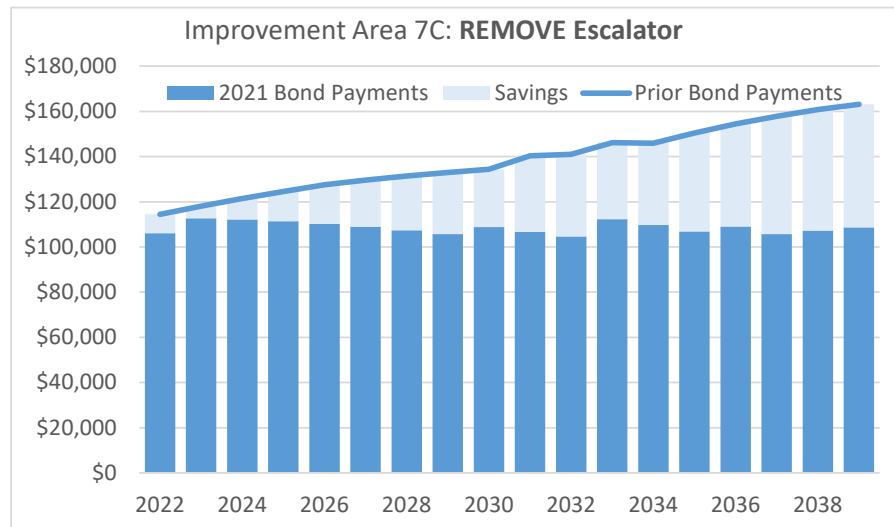
▶ Level Annual Savings (MAINTAIN Escalator)

- ▶ \$84 in Annual Savings Per Homeowner (2022-2039)



▶ Level Annual Payments (REMOVE Escalator)

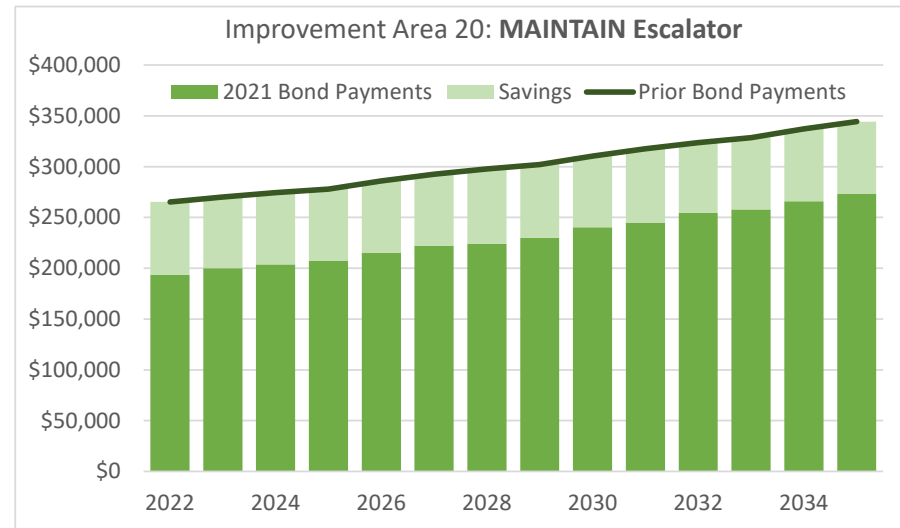
- ▶ Savings Increase Over Time
- ▶ \$26 (2022) to \$171 (2039)



Council Guidance: Remove Escalating Structure (IA-20)

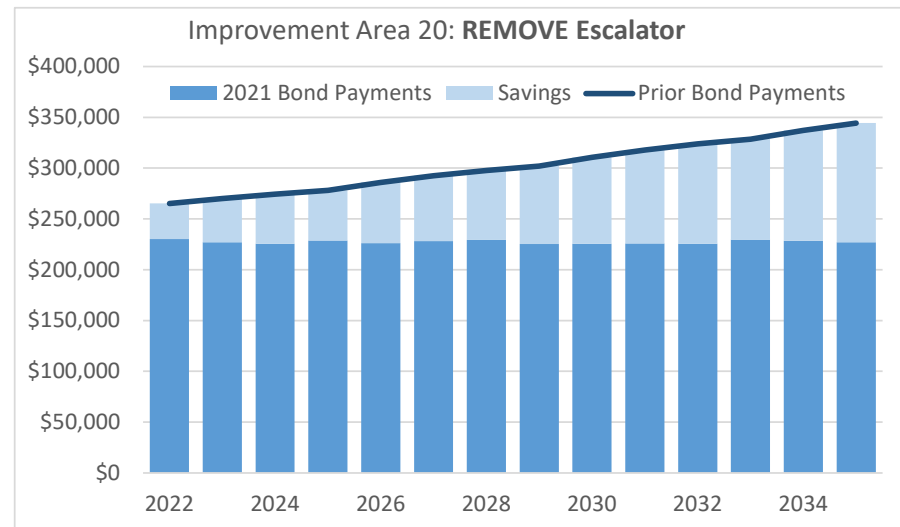
▶ Level Annual Savings (MAINTAIN Escalator)

- ▶ \$670 in Annual Savings Per Homeowner (2022-2035)



▶ Level Annual Payments (REMOVE Escalator)

- ▶ Savings Increase Over Time
- ▶ \$332 (2022) to \$1,107 (2035)



Tentative Schedule

- ▶ **If City Council Approves Moving Forward, the Item would be Back for City Council's Final Approval in May**
- ▶ **Dates Provided Below are Tentative; Subject to Change**

Date	Action
April 6th	Council Consideration of Refinancing
May 10th	Call with S&P to Discuss Credit
May 18th	Receive Credit Rating Council Approval of Refinancing
May 20th	Post Investor Offering Document
June 2nd	Pricing
June 16th	Closing
