



City of Beaumont, California

Proposed Refunding of Outstanding Bonds

(CFD 93-1 Improvement Areas 7B, 7C, 8C, 17B and 20)

City Council Presentation

Date of Presentation: March 3, 2020

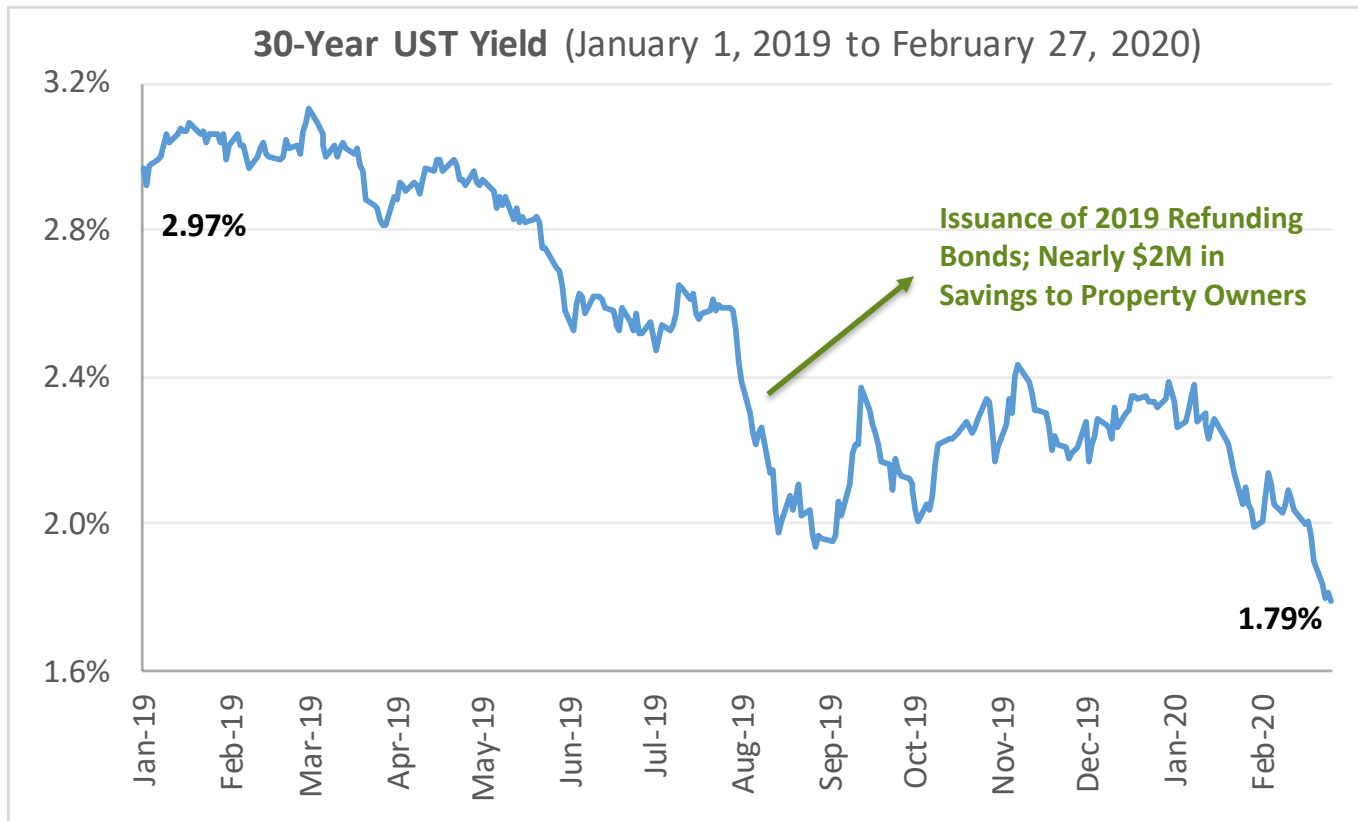
Proposed Refunding: Record Low Interest Rate Environment



Over the Past Year, Interest Rates have Continued to Set Record Low Levels

- 30-Year US Treasury Yield has Declined from 2.97% on Jan 1, 2019 to 1.79% on Feb 27, 2020
- *What is Driving the Recent Decline in Interest Rates?* Coronavirus Impact on Global Economy

Staff Continues to be Proactive in Monitoring Outstanding Refunding Candidates



Proposed Refunding: Outstanding CFD 93-1 Bonds



2011A, 2012A, 2012B and 2012C CFD Bonds Structured with 10-Year Optional Call Dates at the Time of Issuance

- September 1, 2021 (2011A) and September 1, 2022 (2012A/B/C)

Post 2017 Tax Reform, Tax-Exempt Advance Refundings Are No Longer Permitted

- However, Issuers can Advance Refund on a **Taxable** Basis
- Note: 30-Year UST Rate of 1.79% (Feb 27, 2020); 30-Year Tax-Exempt Rates have been Higher 99% of the Time since January 1, 1990

Upcoming Callable Bonds: 2011A, 2012A, 2012B and 2012C Bonds

<u>Issue</u>	<u>Impt Area</u>	<u>Parcels</u>	<u>% Develop</u>	<u>Date</u>	<u>Outstanding</u>	<u>Final Mat</u>	<u>Final Coup</u>	<u>Call Date</u>	<u>Ratings</u>
2011A Bonds	IA-17B	388	99.5%	Dec 2011	\$11,930,000	2042	6.375%	Sept 1, 2021	Non-Rated
2012A Bonds	IA-8C	686	100.0%	Mar 2012	\$5,605,000	2042	5.875%	Sept 1, 2022	
2012B Bonds	IA-20	106	100.0%	Apr 2012	\$2,955,000	2035	5.950%	Sept 1, 2022	
2012C Bonds	IA-7B	237	99.5%	Jun 2012	\$1,775,000	2039	5.250%	Sept 1, 2022	
	IA-7C	<u>318</u>	<u>98.1%</u>		<u>\$1,610,000</u>	2039	5.250%	Sept 1, 2022	
TOTALS		1,735	99.5%		\$23,875,000				

City would Have to Wait 2+ Years (2022) to Refinance Above Bonds on a Tax-Exempt Basis

Proposed Refunding: Estimated Savings



Structuring Solutions to Maximize Savings (Similar to 2019 Pooled CFD Refunding Bonds)

- ✓ Refinance through Beaumont PIA to Enhance the Credit and Create Economies of Scale
- ✓ Obtain Underlying Credit Rating from S&P (Prior Bonds were Structured without a Rating)
- ✓ Apply for Bond Insurance/Surety Reserve Fund

Estimated Savings: Improvement Areas 7B, 7C, 8C, 17B and 20

<u>Improvement Area</u>	<u>IA 7B</u>	<u>IA 7C</u>	<u>IA 8C</u>	<u>IA 17B</u>	<u>IA 20</u>	<u>TOTALS</u>
Parcels	237	318	686	388	106	1,735
Par Amount	\$1,730,000	\$1,580,000	\$5,545,000	\$11,400,000	\$2,840,000	\$23,095,000
True Interest Cost	2.97%	2.97%	3.17%	3.08%	2.78%	3.07%
NPV Savings (\$)	\$177,111	\$161,188	\$1,150,597	\$3,360,706	\$331,147	\$5,180,750
NPV Savings (%)	9.98%	10.01%	20.53%	28.17%	11.21%	21.70%
Annual Savings (2021-Mat)	\$26,977	\$23,782	\$119,827	\$303,786	\$60,475	\$508,683
Annual Savings Per Parcel	\$114	\$75	\$175	\$783	\$571	\$293
Aggregate Savings	\$512,558	\$451,853	\$2,636,199	\$6,683,282	\$907,124	\$11,191,017

Breakeven Analysis: If the City Waits 2 Years, How Much Could Tax-Exempt Interest Rates Increase Before Estimated Savings Equal the Proposed Taxable Refunding? 0.95%

Proposed Refunding: Estimated Timeline of Events



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

Date	Action
March 3, 2020	Council Consideration of Refinancing
April 15, 2020	Call with Rating Agencies to Discuss Credit
April 22, 2020	Receive Credit Rating
May 5, 2020	Council Approval of Refinancing
May 6, 2020	Post Investor Offering Document
May 12, 2020	Pricing
May 13, 2020	Closing