



**NOTICE OF SPECIAL MEETING
CITY COUNCIL OF THE CITY OF ALISO VIEJO
THURSDAY, OCTOBER 25, 2018
2:30 P.M.**

**City Hall
Council Chambers
12 Journey
Aliso Viejo, CA**

NOTICE IS HEREBY GIVEN that a Special Meeting of the City Council of the City of Aliso Viejo will take place on Thursday, October 25, 2018, at 2:30 p.m. The business to be transacted at the special meeting will be as follows:

CALL TO ORDER: Convene Special Meeting and Roll Call – 2:30 p.m.

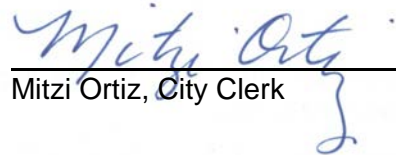
STUDY SESSION:

1. DISCUSSION OF FINANCING OPTIONS FOR ALISO VIEJO RANCH PROJECT

ADJOURNMENT

It is the City's intention to comply with the Americans with Disabilities Act (ADA). If you need special assistance to participate in the meeting, the City will make reasonable arrangements to ensure accessibility and/or accommodations. [28 CFR 35.102-35.104 ADA Title II] Please contact the City Clerk's Office at (949) 425-2505 prior to the meeting.

Supplemental documents relating to specific agenda items are available for review in the City Clerk's office, 12 Journey, Aliso Viejo. For more information, please contact City Hall at (949) 425-2505.



Mitzi Ortiz, City Clerk

City of Aliso Viejo

Aliso Viejo Ranch Project Funding Opportunities

Summary of All Scenarios

| | Scenario 1 100% Cash | | | Scenario 2 ⁽⁶⁾ 50% Cash/50% Financing | | | Scenario 3 ⁽⁶⁾ 40% Cash/60% Financing | | | Scenario 4 ⁽⁶⁾ 100% Financing | | |
|---|-------------------------|---------------------|---------------------|---|---------------------|---------------------|---|---------------------|---------------------|---|---------------------|---------------------|
| | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years |
| Project Funding Sources⁽¹⁾ | | | | | | | | | | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | 10,490,810 | 10,490,810 | 10,490,810 | 5,245,405 | 5,245,405 | 5,245,405 | 4,196,324 | 4,196,324 | 4,196,324 | - | - | - |
| Funded for Bond Proceeds | - | - | - | 5,245,405 | 5,245,405 | 5,245,405 | 6,294,486 | 6,294,486 | 6,294,486 | 10,490,810 | 10,490,810 | 10,490,810 |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | | | | | | | | | | |
| Debt Service | - | - | - | \$9,219,388 | \$7,518,941 | \$6,780,852 | \$11,011,700 | \$8,963,934 | \$8,094,381 | \$18,136,428 | \$14,772,233 | \$13,333,050 |
| Received LAIF Earnings ⁽²⁾ | - | - | - | 3,944,588 | 2,367,902 | 1,684,103 | 4,733,505 | 2,841,482 | 2,020,924 | 7,889,175 | 4,735,803 | 3,368,206 |
| Initial Project Costs | 10,490,810 | 10,490,810 | 10,490,810 | 5,245,405 | 5,245,405 | 5,245,405 | 4,196,324 | 4,196,324 | 4,196,324 | - | - | - |
| Foregone LAIF Earnings ⁽²⁾ | 7,889,175 | 4,735,803 | 3,368,206 | 3,944,588 | 2,367,902 | 1,684,103 | 3,155,670 | 1,894,321 | 1,347,282 | - | - | - |
| Total Cost over term | \$18,379,985 | \$15,226,613 | \$13,859,016 | \$14,464,793 | \$12,764,346 | \$12,026,257 | \$13,630,189 | \$12,213,097 | \$11,617,064 | \$10,247,253 | \$10,036,430 | \$9,964,844 |
| PV of Total Cost over term⁽³⁾ | \$15,209,778 | \$13,718,109 | \$12,910,021 | \$11,167,703 | \$10,733,335 | \$10,536,794 | \$10,321,129 | \$10,092,712 | \$10,028,469 | \$6,923,608 | \$7,549,766 | \$7,980,327 |
| Par Outstanding after 10 years ⁽⁴⁾ | N/A | N/A | N/A | \$3,925,000 | \$3,135,000 | \$1,985,000 | \$4,695,000 | \$3,740,000 | \$2,370,000 | \$7,730,000 | \$6,165,000 | \$3,905,000 |
| Unassigned General Fund balance as % of expenditures⁽⁵⁾ | 42% | 42% | 42% | 69% | 69% | 69% | 74% | 74% | 74% | 95% | 95% | 95% |

(1) Based on estimates provided by the City on 10/3/18

(2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)

(3) Present Value (PV) of the total cost calculated using 3%

(4) Total principal amount outstanding after 11/1/2028

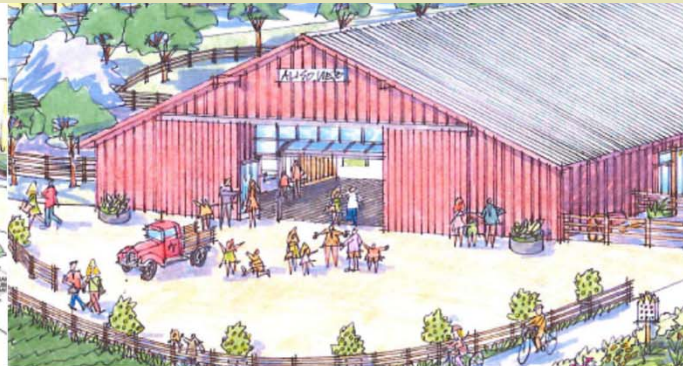
(5) For FY 2018-19, using fund balances provided by City

(6) Using scale provided by Stifel Nicolaus & Company, updated as of 10/4/2018

Assumes COI of \$185,000 and UWD of \$10/bond

Assumes level debt service, no debt service reserve and 10-year optional par call

Overview of
The City of Aliso Viejo
Aliso Viejo Ranch Project
Funding Opportunities



October 25, 2018



Overview of Financing

- The City of Aliso Viejo will be funding the rehabilitation and adaptive reuse of the Aliso Viejo Ranch in addition to the construction of a new community center (the “Project”)
 - ◆ Total Project Costs of \$14,473,015
 - ◆ \$3,982,205 of the Project will be funded with grants and other funds
 - ◆ Remaining \$10,490,810 will be funded with either unassigned General Fund reserves, a combination of reserves and bond proceeds, or only bond proceeds
 - ◆ Annual Operation costs estimated at \$500,000/year
- Objective is to analyze and compare the available funding options based on viability, cost and other considerations

Overview of Scenarios and Assumptions

Scenario 1

100% Cash

Scenario 2

50% Cash/50% Financing

Scenario 3

40% Cash/60% Financing

Scenario 4

100% Financing

➤ Financing Assumptions

- ◆ Financing completed on or about January 16, 2019
- ◆ Level Debt Service, No Debt Service Reserve Fund, 10–year optional par call
- ◆ Lease Financing with community center as pledged asset⁽¹⁾
- ◆ Current indicative interest rate scale provided by Stifel, Nicolaus & Company of AA+ rated Lease Revenue Bonds
- ◆ Costs of Issuance of \$185,000 and Underwriter's Discount of \$10/bond
- ◆ True Interest Cost (TIC) ranges from 2.96% to 3.86%

➤ Cost Comparison Assumptions

- ◆ 3 different terms: 30–year, 20–year and 15–year
- ◆ Total cost includes project cost, debt service and net foregone investment earnings
- ◆ Present Value of total cost calculated at 3% discount rate

(1) Until community center is fully built, the City Hall or Aquatics Center will serve as pledged asset.

Scenario 1

- 100% cash-funded
- Existing City reserves used to fund the Project
- PV of Total Cost ranges from \$12.9 million to \$15.2 million

| Scenario 1 100% Cash | | | |
|--|---------------------|---------------------|---------------------|
| | 30 years | 20 years | 15 years |
| Project Funding Sources ⁽¹⁾ | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | 10,490,810 | 10,490,810 | 10,490,810 |
| Funded for Bond Proceeds | - | - | - |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | |
| Debt Service | - | - | - |
| Received LAIF Earnings ⁽²⁾ | - | - | - |
| Initial Project Costs | 10,490,810 | 10,490,810 | 10,490,810 |
| Foregone LAIF Earnings ⁽²⁾ | 7,889,175 | 4,735,803 | 3,368,206 |
| Total Cost over term | \$18,379,985 | \$15,226,613 | \$13,859,016 |
| PV of Total Cost over term ⁽³⁾ | \$15,209,778 | \$13,718,109 | \$12,910,021 |
| Par Outstanding after 10 years ⁽⁴⁾ | N/A | N/A | N/A |
| Unassigned General Fund balance as % of expenditures ⁽⁵⁾ | 42% | 42% | 42% |

- (1) Based on estimates provided by the City on 10/3/18
- (2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)
- (3) Present Value (PV) of the total cost calculated using 3%
- (4) Total principal amount outstanding after 11/1/2028
- (5) For FY 2018-19, using fund balances provided by City

Scenario 1–Compliance with General Fund Balance Policy

- Current General Fund Balance Policy requirement is to maintain an unassigned fund balance of 25%–35% of the budgeted operational expenditures
- Unassigned fund balance ratio is projected to decline to below the policy requirement by FY 2023–24 under each of the 30–, 20–, or 15–year terms in Scenario 1

Projected Unassigned General Fund Balance as % of expenditures

| | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-------------------|-----------------|---------|---------|---------|---------|---------|
| Scenario 1 | 30 years | 37% | 32% | 26% | 19% | 11% |
| | 20 years | 37% | 32% | 26% | 19% | 11% |
| | 15 years | 37% | 32% | 26% | 19% | 11% |

Scenario 2

- 50% cash-funded/
50% financed
- PV of Total Cost ranges from \$10.5 million to \$11.2 million

| Scenario 2 ⁽⁶⁾ | | | |
|---|---------------------|---------------------|---------------------|
| 50% Cash/50% Financing | | | |
| | 30 years | 20 years | 15 years |
| Project Funding Sources⁽¹⁾ | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | 5,245,405 | 5,245,405 | 5,245,405 |
| Funded for Bond Proceeds | 5,245,405 | 5,245,405 | 5,245,405 |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | |
| Debt Service | 9,219,388 | 7,518,941 | 6,780,852 |
| Received LAIF Earnings ⁽²⁾ | 3,944,588 | 2,367,902 | 1,684,103 |
| Initial Project Costs | 5,245,405 | 5,245,405 | 5,245,405 |
| Foregone LAIF Earnings ⁽²⁾ | 3,944,588 | 2,367,902 | 1,684,103 |
| Total Cost over term | \$14,464,793 | \$12,764,346 | \$12,026,257 |
| PV of Total Cost over term⁽³⁾ | \$11,167,703 | \$10,733,335 | \$10,536,794 |
| Par Outstanding after 10 years ⁽⁴⁾ | \$3,925,000 | \$3,135,000 | \$1,985,000 |
| Unassigned General Fund balance as % of expenditures⁽⁵⁾ | 69% | 69% | 69% |

- (1) Based on estimates provided by the City on 10/3/18
- (2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)
- (3) Present Value (PV) of the total cost calculated using 3%
- (4) Total principal amount outstanding after 11/1/2028
- (5) For FY 2018-19, using fund balances provided by City
- (6) Using scale provided by Stifel Nicolaus & Company, updated as of 10/4/2018
Assumes COI of \$185,000 and UWD of \$10/bond
Assumes level debt service, no debt service reserve and 10-year optional par call

Scenario 3

- 40% cash-funded/
60% financed
- PV of Total Cost
ranges from \$10.0
million to \$10.3
million

| Scenario 3 ⁽⁶⁾ 40% Cash/60% Financing | | | |
|---|---------------------|---------------------|---------------------|
| | 30 years | 20 years | 15 years |
| Project Funding Sources⁽¹⁾ | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | 4,196,324 | 4,196,324 | 4,196,324 |
| Funded for Bond Proceeds | 6,294,486 | 6,294,486 | 6,294,486 |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | |
| Debt Service | 11,011,700 | 8,963,934 | 8,094,381 |
| Received LAIF Earnings ⁽²⁾ | 4,733,505 | 2,841,482 | 2,020,924 |
| Initial Project Costs | 4,196,324 | 4,196,324 | 4,196,324 |
| Foregone LAIF Earnings ⁽²⁾ | 3,155,670 | 1,894,321 | 1,347,282 |
| Total Cost over term | \$13,630,189 | \$12,213,097 | \$11,617,064 |
| PV of Total Cost over term⁽³⁾ | \$10,321,129 | \$10,092,712 | \$10,028,469 |
| Par Outstanding after 10 years ⁽⁴⁾ | \$4,695,000 | \$3,740,000 | \$2,370,000 |
| Unassigned General Fund balance as % of expenditures⁽⁵⁾ | 74% | 74% | 74% |

- (1) Based on estimates provided by the City on 10/3/18
- (2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)
- (3) Present Value (PV) of the total cost calculated using 3%
- (4) Total principal amount outstanding after 11/1/2028
- (5) For FY 2018-19, using fund balances provided by City
- (6) Using scale provided by Stifel Nicolaus & Company, updated as of 10/4/2018
Assumes COI of \$185,000 and UWD of \$10/bond
Assumes level debt service, no debt service reserve and 10-year optional par call

Scenario 4

- 100% financed
- PV of Total Cost ranges from \$6.9 million to \$8.0 million

| Scenario 4 ⁽⁶⁾ 100% Financing | | | |
|---|---------------------|---------------------|---------------------|
| | 30 years | 20 years | 15 years |
| Project Funding Sources⁽¹⁾ | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | - | - | - |
| Funded for Bond Proceeds | 10,490,810 | 10,490,810 | 10,490,810 |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | |
| Debt Service | 18,136,428 | 14,772,233 | 13,333,050 |
| Received LAIF Earnings ⁽²⁾ | 7,889,175 | 4,735,803 | 3,368,206 |
| Initial Project Costs | - | - | - |
| Foregone LAIF Earnings ⁽²⁾ | - | - | - |
| Total Cost over term | \$10,247,253 | \$10,036,430 | \$9,964,844 |
| PV of Total Cost over term⁽³⁾ | \$6,923,608 | \$7,549,766 | \$7,980,327 |
| Par Outstanding after 10 years ⁽⁴⁾ | \$7,730,000 | \$6,165,000 | \$3,905,000 |
| Unassigned General Fund balance as % of expenditures⁽⁵⁾ | 95% | 95% | 95% |

(1) Based on estimates provided by the City on 10/3/18

(2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)

(3) Present Value (PV) of the total cost calculated using 3%

(4) Total principal amount outstanding after 11/1/2028

(5) For FY 2018-19, using fund balances provided by City

(6) Using scale provided by Stifel Nicolaus & Company, updated as of 10/4/2018

Assumes COI of \$185,000 and UWD of \$10/bond

Assumes level debt service, no debt service reserve and 10-year optional par call

Scenario 4–Compliance with General Fund Balance Policy

➤ Under the scenario, the unassigned General Fund balance exceeds the City’s General Fund Balance Policy for every year of our analysis

Projected Unassigned General Fund Balance as % of expenditures

| | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-------------------|-----------------|---------|---------|---------|---------|---------|
| Scenario 4 | 30 years | 83% | 73% | 64% | 53% | 42% |
| | 20 years | 82% | 72% | 62% | 51% | 40% |
| | 15 years | 81% | 70% | 59% | 48% | 36% |

Cost Comparison

➤ Among the 30-, 20- and 15-year terms, Scenario 4 has the lowest overall total cost and net present value cost

| | Scenario 1 100% Cash | | | Scenario 2 ⁽⁶⁾ 50% Cash/50% Financing | | | Scenario 3 ⁽⁶⁾ 40% Cash/60% Financing | | | Scenario 4 ⁽⁶⁾ 100% Financing | | |
|---|-------------------------|---------------------|---------------------|---|---------------------|---------------------|---|---------------------|---------------------|---|---------------------|---------------------|
| | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years |
| Project Funding Sources⁽¹⁾ | | | | | | | | | | | | |
| Funded from Grants/other funds | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 | \$3,982,205 |
| Funded from General Fund | 10,490,810 | 10,490,810 | 10,490,810 | 5,245,405 | 5,245,405 | 5,245,405 | 4,196,324 | 4,196,324 | 4,196,324 | - | - | - |
| Funded for Bond Proceeds | - | - | - | 5,245,405 | 5,245,405 | 5,245,405 | 6,294,486 | 6,294,486 | 6,294,486 | 10,490,810 | 10,490,810 | 10,490,810 |
| Total Project Fund | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 | \$14,473,015 |
| Total Cost | | | | | | | | | | | | |
| Debt Service | - | - | - | \$9,219,388 | \$7,518,941 | \$6,780,852 | \$11,011,700 | \$8,963,934 | \$8,094,381 | \$18,136,428 | \$14,772,233 | \$13,333,050 |
| Received LAIF Earnings ⁽²⁾ | - | - | - | 3,944,588 | 2,367,902 | 1,684,103 | 4,733,505 | 2,841,482 | 2,020,924 | 7,889,175 | 4,735,803 | 3,368,206 |
| Initial Project Costs | 10,490,810 | 10,490,810 | 10,490,810 | 5,245,405 | 5,245,405 | 5,245,405 | 4,196,324 | 4,196,324 | 4,196,324 | - | - | - |
| Foregone LAIF Earnings ⁽²⁾ | 7,889,175 | 4,735,803 | 3,368,206 | 3,944,588 | 2,367,902 | 1,684,103 | 3,155,670 | 1,894,321 | 1,347,282 | - | - | - |
| Total Cost over term | \$18,379,985 | \$15,226,613 | \$13,859,016 | \$14,464,793 | \$12,764,346 | \$12,026,257 | \$13,630,189 | \$12,213,097 | \$11,617,064 | \$10,247,253 | \$10,036,430 | \$9,964,844 |
| PV of Total Cost over term⁽³⁾ | \$15,209,778 | \$13,718,109 | \$12,910,021 | \$11,167,703 | \$10,733,335 | \$10,536,794 | \$10,321,129 | \$10,092,712 | \$10,028,469 | \$6,923,608 | \$7,549,766 | \$7,980,327 |
| Par Outstanding after 10 years ⁽⁴⁾ | N/A | N/A | N/A | \$3,925,000 | \$3,135,000 | \$1,985,000 | \$4,695,000 | \$3,740,000 | \$2,370,000 | \$7,730,000 | \$6,165,000 | \$3,905,000 |
| Unassigned General Fund balance as % of expenditures⁽⁵⁾ | 42% | 42% | 42% | 69% | 69% | 69% | 74% | 74% | 74% | 95% | 95% | 95% |

(1) Based on estimates provided by the City on 10/3/18

(2) LAIF rate assumed to remain constant at the most recent quarterly apportionment rate (1.90%)

(3) Present Value (PV) of the total cost calculated using 3%

(4) Total principal amount outstanding after 11/1/2028

(5) For FY 2018-19, using fund balances provided by City

(6) Using scale provided by Stifel Nicolaus & Company, updated as of 10/4/2018. Assumes COI of \$185,000 and UWD of \$10/bond. Assumes level debt service, no debt service reserve and 10-year optional par call

Compliance with General Fund Balance Policy Comparison

➤ Among the 30-, 20- and 15-year terms, Scenario 4 has the highest projected unassigned balance ratio in FY 2023-24

Projected Unassigned General Fund Balance as % of expenditures

| | Scenario 1 | | | Scenario 4 | | |
|--------------------|------------|----------|----------|------------|----------|----------|
| | 30 years | 20 years | 15 years | 30 years | 20 years | 15 years |
| Fiscal Year | | | | | | |
| 2019-20 | 37% | 37% | 37% | 83% | 82% | 81% |
| 2020-21 | 32% | 32% | 32% | 73% | 72% | 70% |
| 2021-22 | 26% | 26% | 26% | 64% | 62% | 59% |
| 2022-23 | 19% | 19% | 19% | 53% | 51% | 48% |
| 2023-24 | 11% | 11% | 11% | 42% | 40% | 36% |

Other Considerations

Cash

- ◆ No cost of issuance or documentation
- ◆ No debt service payments
- ◆ Largest impact on unassigned reserves and City's financial flexibility to respond to emergencies and unexpected events

Financing

- ◆ Cost of issuance and documentation (i.e. Official Statement, Continuing Disclosure) required
- ◆ Debt service payments, yet offers flexibility of either a standard 10-year par call at no cost or shorter par calls at higher interest rates
- ◆ Least impact on unassigned reserves and City's financial flexibility

Summary

- City's choice depends on:
 - ◆ City's strategic objectives and policies
 - ◆ Desired financial flexibility
 - ◆ Short- and long-term budgetary implications
 - ◆ Timing and complexity
 - ◆ Market conditions
 - ◆ Additional costs/Investment opportunities/Opportunity cost
- Scenario 4 offers the lowest overall present value cost
- Given current assumptions, under all scenarios, General Fund unassigned reserves are reduced, with reserves being depleted the most in Scenario 1
 - ◆ S&P upgraded the City's 2006 COPs⁽¹⁾ from AA- to AA+ in 2009 due to the City's history of maintaining very strong financial reserves and strong economic indicators

(1) Paid off in 2014.