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**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

BOND FINANCING OPTIONS USING ASSESSMENTS

Legal basis for issuance of Assessment Bonds

- Special Assessment Districts
 - Improvement Act of 1911
 - Municipal Improvement Act of 1913
 - Used in combination with the Improvement Bond Act of 1915
 - Improvement Act of 1972
 - Business Improvement District Law of 1994

Why do Public Agencies issue Assessment District Bonds?

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- It is a tool to finance infrastructure and to have the costs paid by those who benefit from the improvements
- In other words, infrastructure provided without City general tax dollars or existing resident's tax dollars
- And in most cases it allows the City to get more infrastructure sooner and at a lower costs than if it was built under the City's typically Capital Improvement Program and available funding sources

Usual Sequence of Events

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1. Local Agency / Property Owner Petition Initiated
2. Actions Taken by Legislative Body
3. Legislative Body Commences Assessment Proceedings
4. Public Hearing
5. Assessment Balloting and “Majority Protest” (**Proposition 218**)
6. Final Actions Taken by Legislative Body
7. End of Cash Collection / Statue of Limitations
8. Bonds Issued
9. Annual Assessments levied to pay debt service on the Bonds
10. Project Costs Funded/Reimbursed
11. Public Agency administers the District until Bonds mature



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Assessment District Bond Issuance

Bond Issuance steps

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□ How do we do it?

1. Financing team drafts financing, legal and financing documents including:
 - Resolutions
 - Bond Indenture
 - Preliminary Official Statement/Official Statement (includes appraisal/Market Analysis/Engineer's Report)
 - Continuing Disclosure Agreement
 - Bond Purchase Agreement
2. Issuer approves financing documents and present reports to the policy makers
3. Issuer sells bonds to underwriter
4. Underwriter sells bonds to investors

Bond Issuance steps - *continued*

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- How do we do it? *(continued)*
 5. Issuer receives \$'s from investors in exchange for bonds
 5. Net proceeds used to pay for capital projects
 6. Annual Assessments levied and collected to pay debt service on the Bonds per Engineer's Report

Financing Team Members

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- **Public Agency** – presents report, documents and recommendations to the policy-makers for their deliberation
- **Bond Counsel** – prepares all required bond documents and provides legal opinion
- **Financial Advisor** – fiduciary responsibility to issuer to protect their financial interests and provide independent financial advice related to the issuance of bonds
- **District Administrator** – assists Issuer in preparing tables for the disclosure documents and administering the Assessment District

Financing Team Members *continued*

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- **Appraiser** – estimates value of assessed property subject to the assessment lien
- **Underwriter** – buys the bonds from the issuer and then sells them to investors
- **Disclosure Counsel** – prepares bond sale financing documents (Official Statement, Bond Purchase Agreement, Continuing Disclosure Agreement)
- **Fiscal Agent** – holds, invests and disburses funds at direction of Issuer

Initial Bond Disclosure

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- Preliminary Official Statement
 - *Tell the truth, the whole truth and nothing but the truth*
- Requirements continue to evolve and are becoming more stringent

Administering the Assessment District Bonds

- It is important to know your Assessment District
- Make sure you ask a lot of questions and get good answers from your Financing Team
- In most cases, the Public Agency is the only one there for the full term of the Assessment District Bonds

Basic Steps of Assessment District Bond Administration

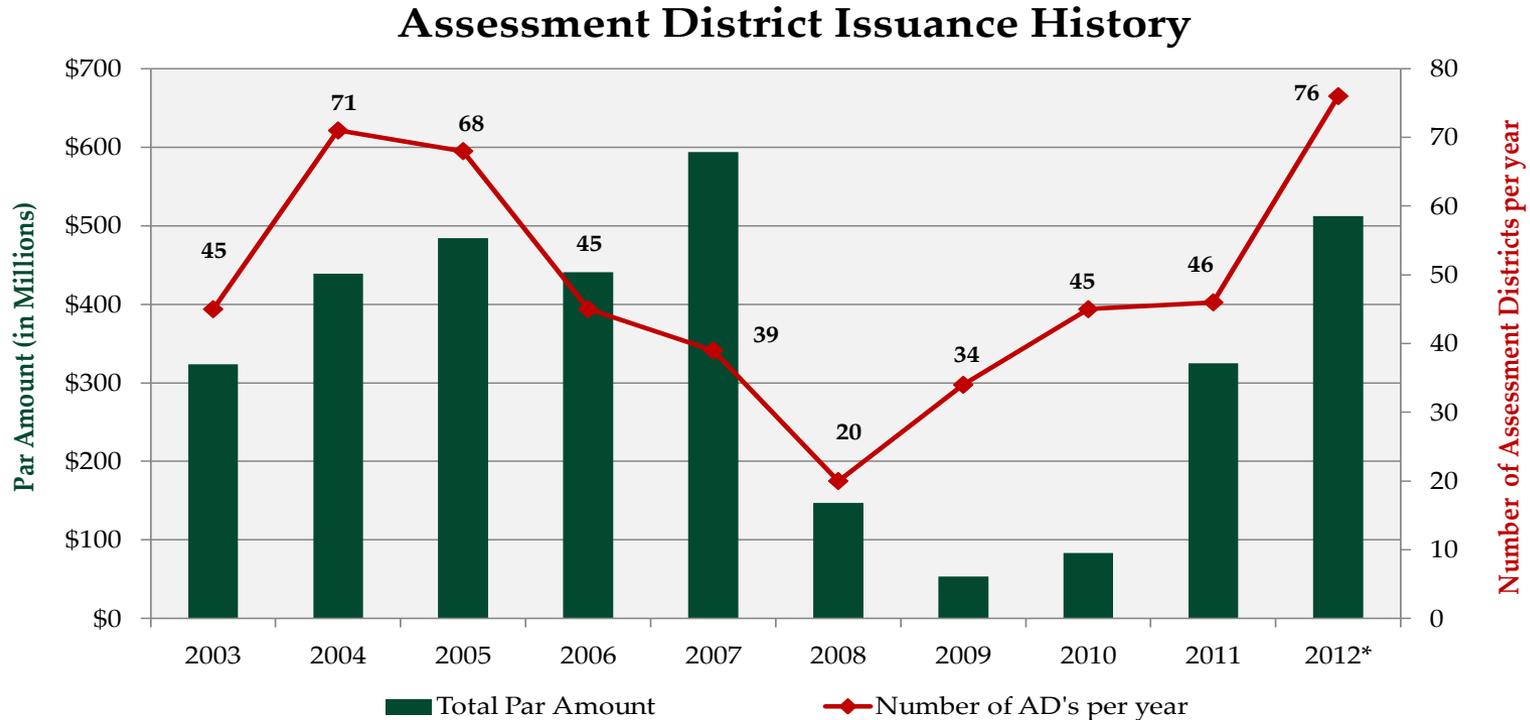
- Manage the Bond Funds
- Meet the annual administrative requirements
- Customer Service with impacted property owners and others
- Delinquency Management
- Continuing Disclosure
- Investment of Bond Proceeds
- Arbitrage Rebate Calculations

Are Governmental Agencies issuing Assessment District Bonds?

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- Yes, on average over the last 10 years there have been approximately 49 Assessments Bonds issued in California each year
- The average dollar amount of Assessment District Bonds sold in California over the last 10 years is approximately \$335 Million per year

Assessment District Issuance History for last 10 Years

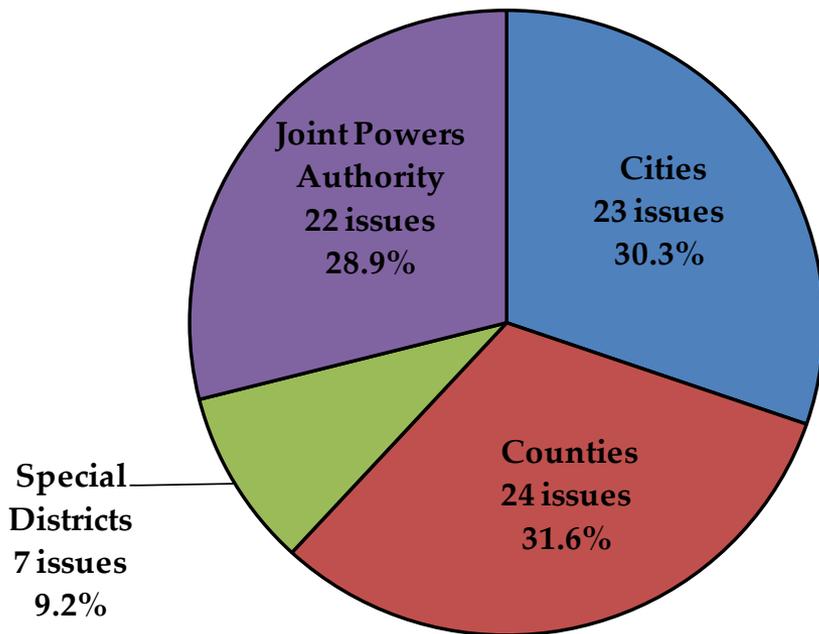


Source: California Debt and Investment Advisory Commission

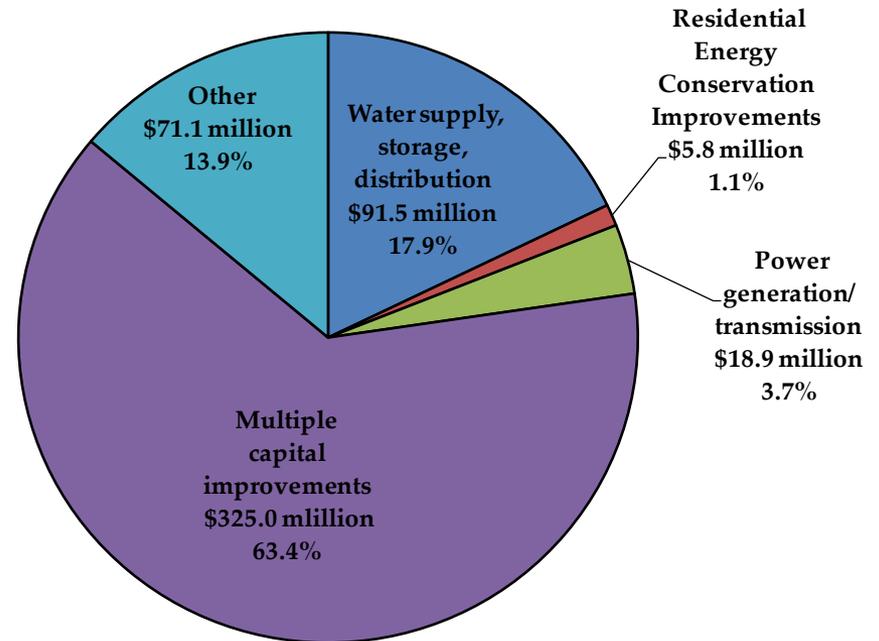
* In 2012, the Western Riverside Council of Governments ("WRCG") issued 189 series of Residential Energy Conservation bonds across 22 sale dates. These 22 dates are shown as separate issuances and represent all series of bonds issued by WRCG.

Breakdown of CY 2012 Assessment District Bonds

CY 2012 Assessment District Bonds by Issuers

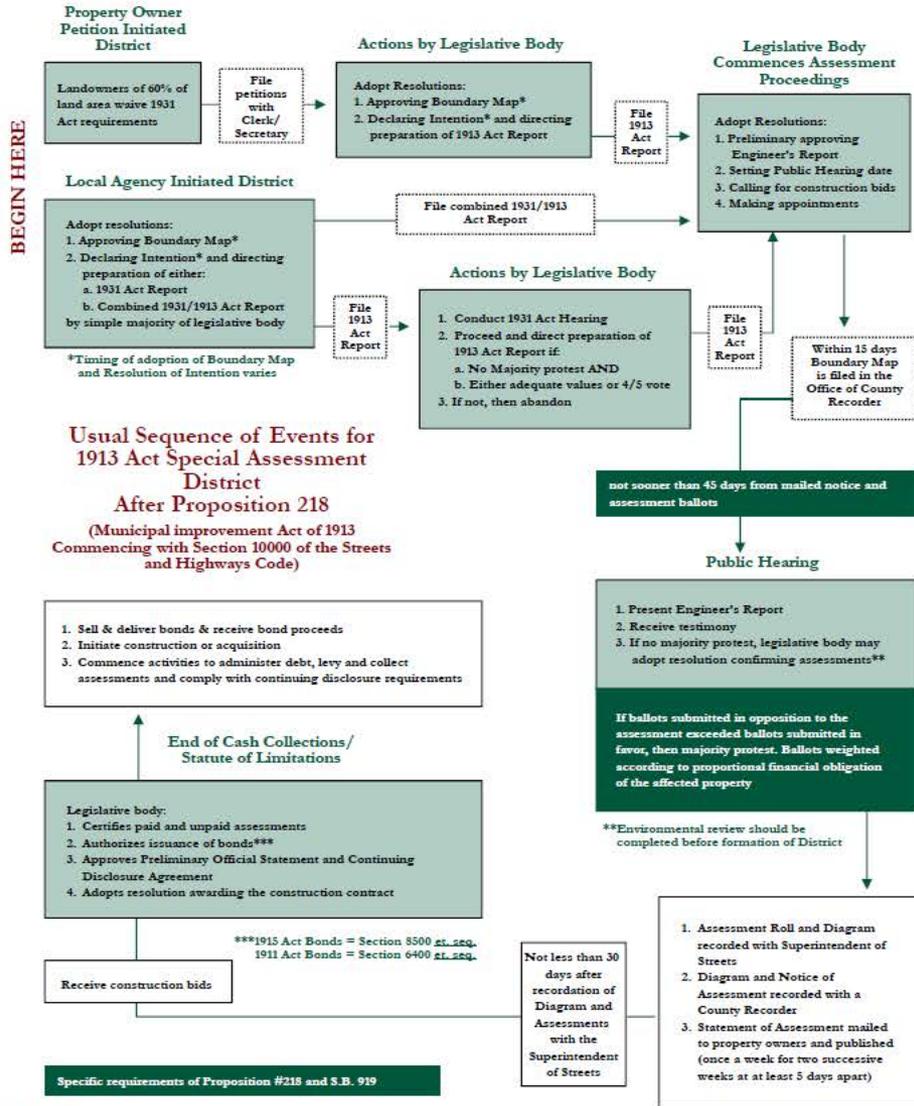


CY 2012 Assessment District Bonds by Purpose



Total par: \$512.4 million

Source: California Debt and Investment Advisory Commission



Questions?



Bond Financing Options Using Assessments