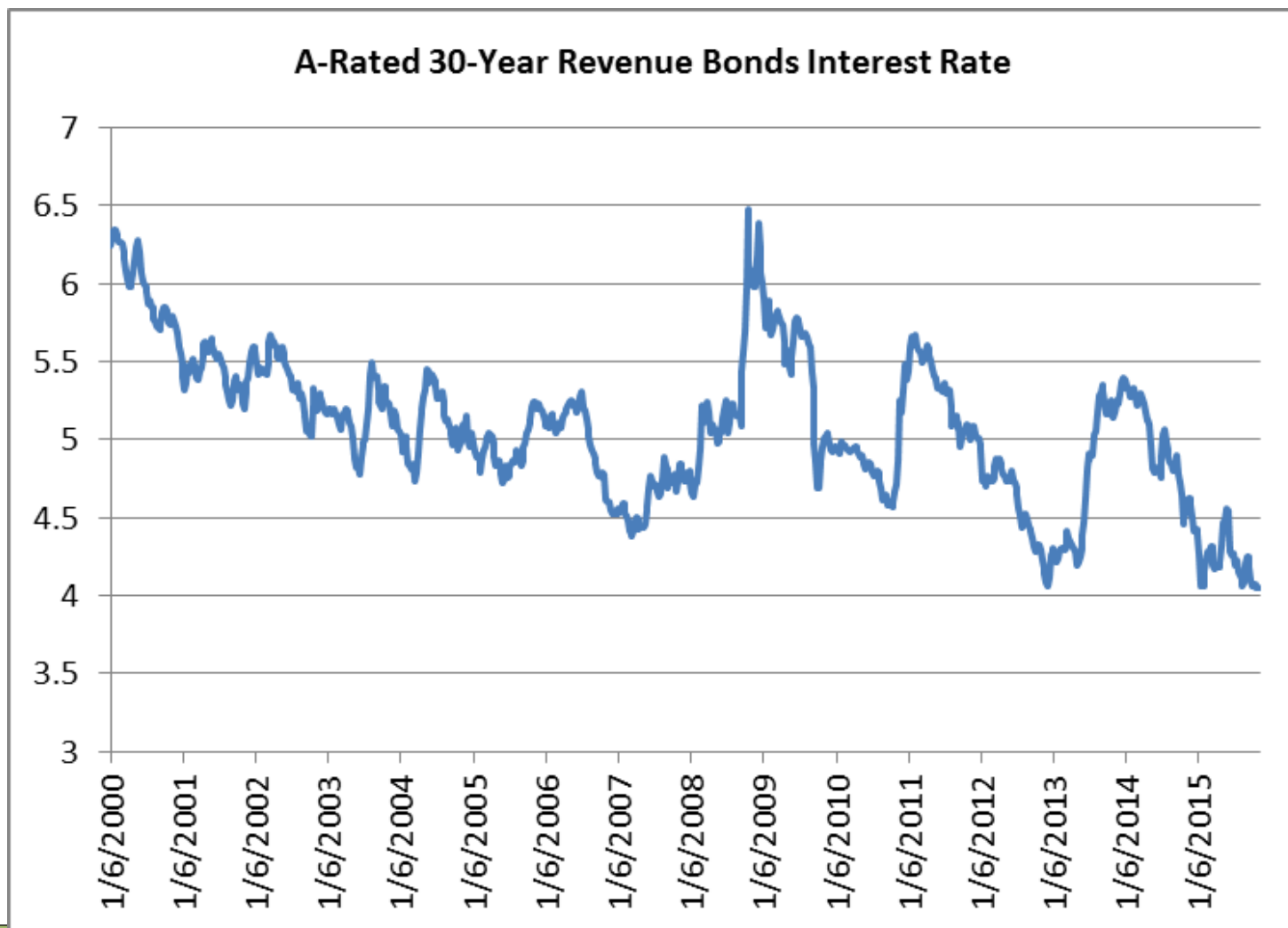




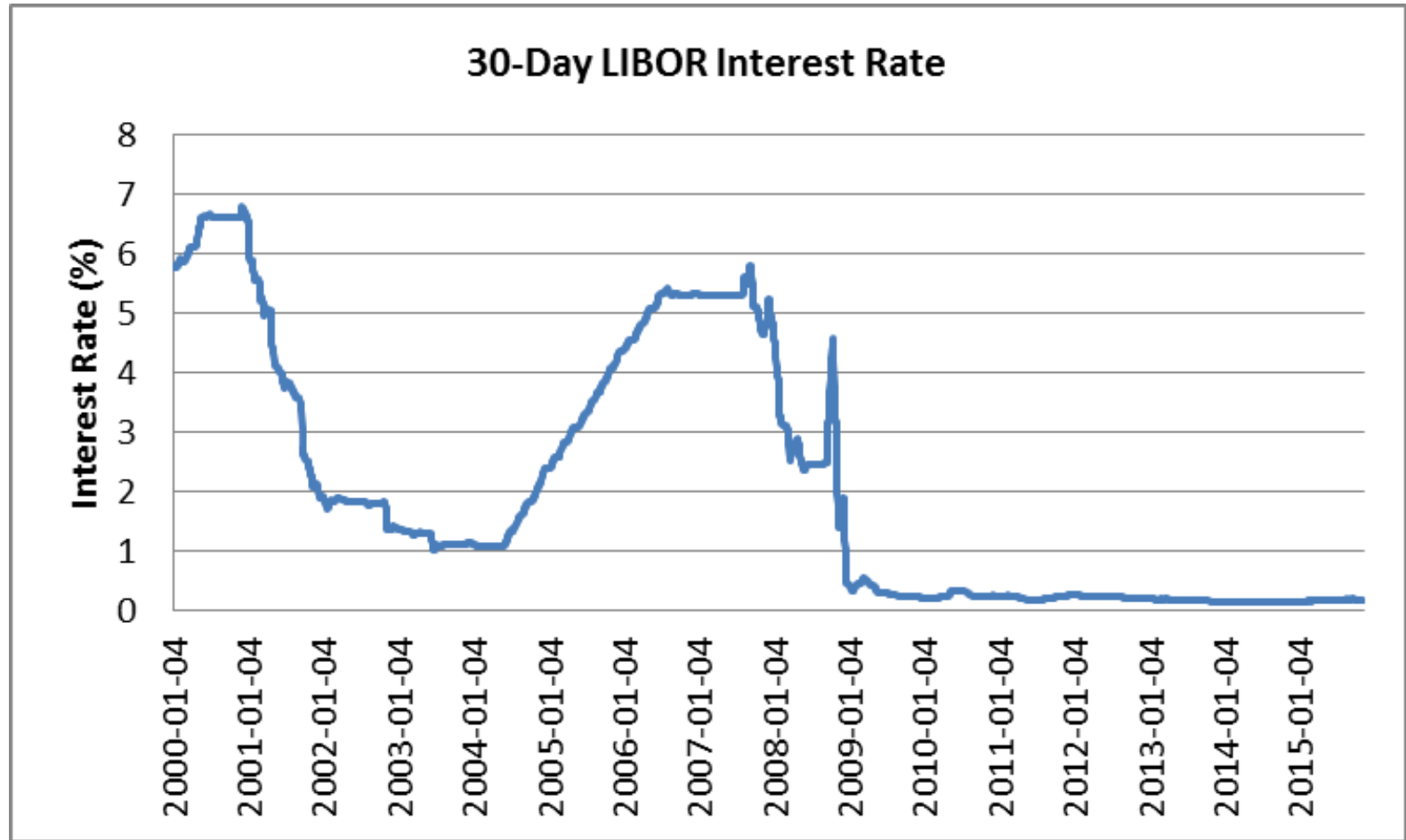
City Hall Financing

Del Mar City Council
November 16, 2015

Favorable Long-Term Bond Rates



Favorable Short-Term Rates



Good Time to Build a Project

- Favorable bond rates
 - Recent local 30-year bond sale 3.79%
 - IBank – 3.5%
 - Variable products – 70% of 30-day Libor plus bank fee = 1%
 - over the past 15 years, LIBOR has ranged between 0.15 percent and 6.7 percent
- Good local economy
 - City at all time highs for TOT, Sales tax, property tax revenues

Staff Recommendation

- IBank (CA Infrastructure and Economic Development Bank)
 - Lowest fixed cost rate available
 - Simplest, lowest cost of issuance
 - Existing relationship with IBank through the SEJPA sewer loan

IBank Financing

- Lease financing similar to that used for the Shores Park acquisition
- City financing (lease) payments include a principal and interest component, and an annual fee based upon the outstanding principal balance (30 basis points)
- Value of asset to be leased must equal or exceed that of the loan amount
- Leased asset is not pledged – no lien or impairment of title

IBank Financing

- Recommended leased asset is Powerhouse Community Center
- Estimated value exceeds loan size
- Second choice is the City Hall/Town Hall project as the leased asset
 - Not selected because of need to capitalize interest, which adds to loan size

IBank

- Next Steps:
 - Complete application
 - Recommendation from Finance Committee on use of loan and cash financing, and verification of financing capacity
 - IBank constructs financing resolution to be approved by Council
 - Resolution authorizes the reimbursement of hard costs incurred up to six months prior to adoption, and soft costs with no time limit
 - Application to be approved by IBank Board of Directors
 - IBank to prepare financing documents

City Financing Capacity

Financing Capacity Based Upon \$2.079M Average Net Cash Flow
FY 2017- FY 2026

Applying Finance Committee Criteria

3.5% Interest

\$19,122,000

4.0% Interest

\$17,978,000

Applying Standard Municipal Bond Financing Criteria

3.5% Interest

\$38,244,000

4.0% Interest

\$35,956,000

Assumed 30-year maturity debt – Note that IBank limits the loan size to \$25,000,000.

- **Assumption:**

- Conservative growth forecasts:
- 4 percent property taxes
- 6 percent TOT
- 1 percent sales tax
- No new significant General Fund programs

Loan Sizing Decisions (to be reviewed by Finance Committee)

Loan Size*	Cash	Annual Debt Service	FY17 General Fund Contingency	FY17 General Fund + CIP Fund Contingency
\$ 18,023,897	\$ 0	\$ 979,983	30.9%	52.4%
\$ 16,003,897	\$2,000,000	\$ 870,153	22.1%	38.2%
\$ 13,983,897	\$4,000,000	\$ 760,323	23.3%	23.8%

*Includes 1 percent financing fee

Next Steps and Recommendations

- Direct staff to complete IBank application
 - Staff will return to Council with resolution for approval
 - Non-binding until financing agreement completed and executed
- Direct staff to review debt capacity and mix of debt and cash with the Finance Committee and seek recommendation