



STAFF REPORT

CLOSING REPORT ON SALE OF BELMONT LIBRARY BONDS, SERIES 2004A.

Honorable Mayor and Members of the Council:

Summary:

This report summarizes the sale of the City of Belmont Community Facilities District No. 2000-1 Special Tax Bonds (Library Project), Series 2004A.

Background and Discussion:

On February 18, 2004, the City of Belmont Community Facilities District No. 2000-1 (CFD) successfully sold \$8,650,000 in bonds to the underwriting firm of Stone & Youngberg LLC.

Stone & Youngberg LLC was awarded the bonds after offering the best terms, i.e. lowest rate, to the CFD. The sale was accomplished through a competitive process.

The results of the sale were as follows:

Description	Particulars
Proceeds Use	Provide capital funding for the Belmont Library and Belameda Park capital improvement project
Total All Sources	\$9,970,186
Premium	\$1,296,221
True Interest Cost	4.56%
Interest Rate Type	Fixed
Coupons	5.25%-10.00%
Term	26 Year
Issuance Costs	\$541,749
Max Annual Debt Service	\$650,000
Insurance	Ambac
Underlying Rating	Moody's – A1 Fitch IBCA – A-

Proceeds from the Series 2004A bonds will be used to finance the Library and Belameda Park project and repay incurred to date costs for the project. The remainder of the funds was used to pay for the costs of the issuance and to fund a reserve surety policy.

The Series 2004A bonds were sold with fixed interest rates, ranging from 5.25% to 10.0%, and maturities up to 26 years. The Bonds shall be subject to mandatory redemption, in whole, or in part on a pro rata basis among maturities and by lot within a maturity, on August 1, 2009, August 1, 2014 and each August 1 thereafter.

There were two costs associated with selling the bonds: issuance costs and discounts. Issuance costs of \$375,088 were paid to the insurer, bond counsel, financial advisor and others for professional services rendered. Discounts, of \$166,660, were offered as an incentive to Stone & Youngberg for re-marketing the bonds to investors.

The most significant issuance cost of \$175,088.63 was for insurance from Ambac. This insurance assures the bondholders that in the unlikely event that the CFD defaults in the payment of its obligations the insurer will step in make payment to the bondholders. In return for this extra protection, lower yields are paid on the bonds.

Another side benefit from the bond sale was the CFD's favorable bond ratings. Moody's rated the bonds at "A1," which translates to "medium-grade," a very favorable outcome, given the nature of the bonds. Fitch IBCA issued a rating of A- on the Series 2004A bonds. The underlying ratings placed the CFD's debt in the investment grade category. The significance of this rating means institutional investors could acquire the CFD's debt.

As part of issuing the bonds, the CFD through the City of Belmont has promised to make ongoing disclosures of financial and operating data to the investment community. Staff believes following the existing accounting practices should satisfy this requirement.

Copies of the Official Statement, describing the transaction to investors, are available for review in the Finance Director's Office.

Follow Up:

1. Confirm final accounting with trustees.
2. Monitor project funding priorities.

Fiscal Impact:

\$8.65 million in bonds were issued. \$9.4 million was raised for the Library and Belamenda Park project. Average annual debt is approximately \$643,211, paid from annual assessment to taxpayers in City of Belmont.

Further financial details are available in the attachments.

Recommendation:

Information item only. No action necessary.

Alternatives:

Not applicable.

Public Contact:

Not applicable.

Attachments:

1. Fieldman, Rolapp & Associates - Closing Memorandum.

Respectfully submitted,

Thomas Fil, Finance Director

Jere Kersnar, City Manager

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