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# **The Community Development Financing Authority of the City of Mission Viejo**

## **Treasurer's Annual Report**

Fiscal Year Ended  
June 30, 2019

# Treasurer's Annual Report

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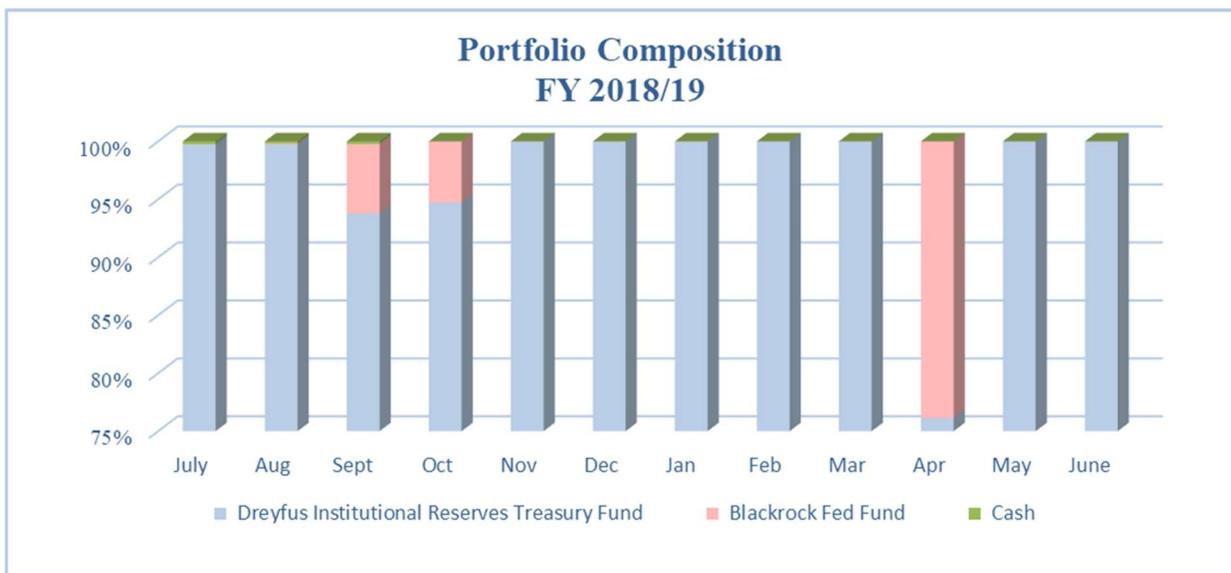
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## **INTRODUCTION**

The Community Development Financing Authority of the City of Mission Viejo (Authority) was formed in June 1997 by the City and the former redevelopment agency. The purpose of the Authority is to serve as the issuer of bonds for the construction of capital facilities for the City.

## **PORTFOLIO COMPOSITION AND SIZE**

The portfolio of the Authority consists of bond proceeds and funds accumulated for the payment of bond debt service. The following chart illustrates the composition of the portfolio during fiscal year 2018/19. All 1999 Series A Mall Bonds resources are invested in Dreyfus and all 2016 Series Lease Revenue Refunding Bonds resources are invested in Blackrock Fed Fund. The small amount of cash during the months of July, August, and September were remaining funds set aside for expenditures related to the conversion of the 1999 Series A Mall Bonds from a variable interest rate to a fixed rate.



At June 2019, the portfolio consisted of \$3,066,461 invested in Government Money Market Funds exclusively. Increases to the portfolio are primarily due to sales tax revenue, property tax increment, and lease payments from the City and the Successor Agency. Decreases are because of debt service payments to bondholders and rolling reserve releases to the City. In regard to the 1999 Series A Mall Bonds, sales tax revenue and property tax increment are received in August, October, and January causing the portfolio to increase. Debt service payments are made in September and March resulting in decreases to the portfolio. There was a significant decrease from February to March because of the debt service payment and a \$1.05 million disbursement to the City from the rolling reserve fund, which is discussed further in the report. With respect to the 2016 Series Lease Revenue Refunding Bonds, lease payments are received from the City in October and April. The annual principal payment is due in May and interest payments are due in November and May causing the portfolio to decrease.



### **PERMITTED INVESTMENTS**

The Authority's Investment Policy directs all debt proceeds of the Authority and all funds accumulated for payment of debt service be placed in the hands of the Authority bond trustees. All such funds shall be invested in accordance with the investment objectives of the Authority; however, such funds are invested in accordance with permitted investment provisions of their specific bond indentures.

The Authority Investment Policy's three major objectives are, in order of priority:

- 1) Safety of principal, in compliance with applicable laws
- 2) Maintain sufficient liquidity to meet cash flow needs

- 3) Attain a market average rate of return consistent with the primary objectives of safety and liquidity

The list of Permitted Investments under each debt issue is available upon request; however, the primary investment vehicles utilized by the Authority are money market funds invested in U.S. government securities. The 1999 Series A Mall Bonds have investments in the Dreyfus Institutional Reserves Treasury Fund. The fund is rated AAA by Standard & Poor and Aaa by Moody’s. The 2016 Series Lease Revenue Refunding Bonds are invested in Blackrock Fed Fund, which has been rated AAA by S & P and Aaa by Moody’s.

**FINANCING AUTHORITY DEBT**

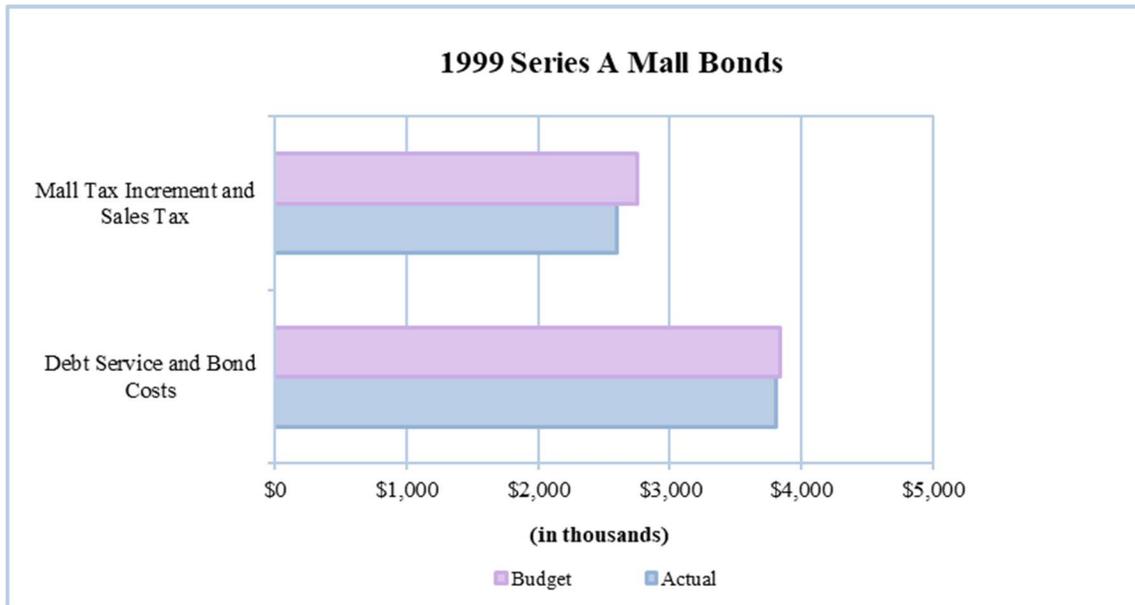
There were three outstanding debt issues during fiscal year 2018/19.

<b>Bond Issue</b>	<b>Principal Outstanding at June 30,2019</b>
1999 Series A - Mall Parking Improvement Bonds	\$ 13,925,000
1999 Series B - Mall Parking Improvement Bonds	7,347,326
2016 Series - Lease Revenue Refunding Bonds	10,740,000
<b>Total</b>	<b>32,012,326</b>

**1999 SERIES A MALL BONDS**

On May 11, 1999, the Authority issued \$31,100,000 in bonds to finance a portion of the costs of acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall (Shops at Mission Viejo). These bonds are paid from former redevelopment property tax increment and a portion of the sales tax revenue generated by the Shops at Mission Viejo.

On July 31, 2018, the bonds were converted to a fixed interest rate of 3.34% through a private placement with Opus Bank. The balance in the reserve fund at the time of conversion of \$2,234,922 was used to pay down the principal of the bond from \$17.2 million to \$15.24 million with a small amount of these resources used towards cost of issuance. Principal and interest payments for the Series A bond issue of \$733,832 and \$867,985 were made on September 1, 2018 and March 1, 2019, respectively. The bonds will mature in September 2028.



Total inflows for the fiscal year were \$2.60 million, and is equal to \$1.18 million in mall generated tax increment received from the Redevelopment Property Tax Trust Fund under redevelopment Dissolution Law for the July 1, 2018 to June 30, 2019 period and \$1.42 million in mall generated sales tax received from the City.

Each year, the excess of mall sales tax revenue not needed for debt service and bond costs in that year are placed in a “rolling reserve” fund by the bond trustee. These excess payments each year are required to remain in the rolling reserve fund for a one-year period of time to ensure the next bond year debt service payment. If these resources are not needed in the following bond year, they are released back to the City in October of each year. The funds returned to the City from the rolling reserve in March 2019 were \$1,053,295. The total amount of funds in the rolling reserve at June 30, 2019 are \$ 1,695,142. The City expects to receive this entire rolling reserve balance in October 2019.

**1999 SERIES B SUBORDINATE LIEN TAXABLE REVENUE BONDS**

On May 29, 1999, the Authority authorized \$10,000,000 and through June 30, 2019 issued \$7,347,326 in bonds to finance a portion of the costs of acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall. Principal and interest are payable annually, subject to certain preconditions. If preconditions are met, debt service will likely be paid from future rolling reserve fund releases. If, in any year, mall tax increment and sales tax revenues are insufficient to pay principal and interest due, amounts shall remain due and payable. No debt service payments were required to be made during fiscal year 2018/19. These bonds mature on September 1, 2028, at which time, if any outstanding principal or accrued interest remains, such amounts shall cease to be payable.

## 2016 SERIES LEASE REVENUE REFUNDING BONDS

In July 2016, the Authority issued \$13,150,000 in bonds to advance refund the outstanding 2009 Series Lease Revenue Refunding Bonds. The purpose of this advanced refunding was to reduce its total debt service payments over the next 15 years by \$3.1 million. Debt service payments are funded from lease payments made from the City's General Fund to the Authority.



Lease payments received from the City for the fiscal year was \$1,133,533. The principal payment of \$780,000 for fiscal year 2018/19 was made on May 1, 2019. Interest payments on these bonds are payable semi-annually on November 1 and May 1 of each fiscal year. Total interest payments made for the fiscal year were \$354,463.

Due to our high bond rating, fiscal health and strong management oversight, there is no debt service reserve required for these bonds.

## RETURN ON INVESTMENT

Close of the accounting records for fiscal year 2018/19 is in progress. Interest earned from the 1999 Series A Mall Bonds and 2016 Series Lease Revenue Refunding Bonds investments are projected to be \$ 65,977 and \$1,119, respectively.

## **ANTICIPATED CASH AND INVESTMENT ACTIVITY**

The table below shows anticipated activity for fiscal year 2019/20. Large inflows are revenues and large outflows show principal and interest payments, and release of the rolling reserve. The overall decline in the portfolio balance of \$714,300 is a result of the release of the rolling reserve.

### **Cash Flow Forecast**

**Fiscal Year 2019-20**

	<u>1999 Series A &amp; B</u>		<u>2016 Lease Revenue</u>		<b>Change to Portfolio</b>	
	<b>Inflows</b>	<b>Outflows</b>	<b>Inflows</b>	<b>Outflows</b>		
						Cash & Investments @ 6/30/19 \$ 3,066,461
July	4,167		42		4,209	3,070,670
August	473,167		42		473,209	3,543,878
September	624,167	857,548	42		(233,339)	3,310,539
October	4,167	1,695,142	165,573		(1,525,402)	1,785,137
November	4,167		42	165,531	(161,323)	1,623,815
December	4,167		42		4,209	1,628,023
January	935,167		42		935,209	2,563,232
February	634,167		42		634,209	3,197,441
March	4,166	862,110	42		(857,902)	2,339,538
April	4,166		970,573		974,739	3,314,277
May	4,166		42	970,531	(966,324)	2,347,954
June	4,166		42		4,208	2,352,161
<b>Total</b>	<b>2,700,000</b>	<b>3,414,800</b>	<b>1,136,563</b>	<b>1,136,063</b>	<b>(714,300)</b>	

**INVESTMENT POLICY COMPLIANCE**

As the Finance Officer of the Community Development Financing Authority of the City of Mission Viejo, I certify that I have complied with the annual Investment Policy adopted by the City Council effective August 28, 2018 and the bond indentures for each debt issue.



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Cheryl Dyas  
Director of Administrative Services/  
City Treasurer

8/16/19

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Date