

**Date:** December 27, 2017

**To:** Bruce Moe, Finance Director  
City of Manhattan Beach

**From:** Mark Young, Managing Director  
Larry Lom, Assistant Vice President  
KNN Public Finance

**Re: Requirements of Senate Bill No. 450, CHAPTER 625**

California Senate Bill No. 450, CHAPTER 625 was approved on October 9, 2017. The bill requires the governing body of a public body to obtain and disclose specified information in a public meeting prior to authorizing the issuance of bonds. The information is to be obtained as good faith estimates from an underwriter, financial advisor, or private lender or from a third-party borrower if the public body issuing bonds is a conduit financing provider.

Information relating the issuance of bonds to be disclosed include: true interest cost of the borrowing, costs of borrowing, proceeds received from the borrowing, and total debt service payments. Such information is further defined and provided in the attached document for the City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds, Series 2018.

The purpose of the bill is to better inform the public of the costs of a bond financing. According to the author, "The public cannot readily evaluate whether bond financing is a prudent investment choice if they do not completely understand the cost of long-term borrowing and the dimensions of the obligation being undertaken. SB 450 would present financial data in a form similar to that required by federal law for mortgage loans. Bonds are not free money. Although taxpayers may know the principal amount borrowed by the local entity, they may not have a full picture as to annual costs of borrowing, the costs associated with bond transactions, and the total amount that will be paid by taxpayers over lifetime of the bond."

## Requirements of Senate Bill No. 450, CHAPTER 625 for the City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds, Series 2018

Prior to authorization of the issuance of bonds with a term greater than 13 months pursuant to this chapter, the governing body of a public body shall obtain and disclose all of the following information in a meeting open to the public:

(A) The true interest cost of the bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.

<b>True Interest Cost:</b>	2.527%
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(B) The finance charge of the bonds, which means the sum of all fees and charges paid to third parties.

<b>Finance Charge:</b>	\$237,658.62
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(C) The amount of proceeds received by the public body for sale of the bonds less the finance charge of the bonds described in (B) and any reserves or capitalized interest paid or funded with proceeds of the bonds.

Total Proceeds:	\$7,486,723.45
Less amount in (B):	-\$237,658.62
Less Reserve Fund:	-\$533,500.00
Less Capitalized Interest:	-\$470,564.83 (represents installments to be applied to debt service)
<b>Net Proceeds:</b>	\$6,245,000.00

(D) The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the bonds plus the finance charge of the bonds described in (B) not paid with the proceeds of the bonds. The total payment amount shall be calculated to the final maturity of the bonds.

Total Debt Service:	\$5,905,946.50
Plus amount in (B) not paid with proceeds:	\$0.00
<b>Total Payment Amount:</b>	\$5,905,946.50

*Note: All figures are good faith estimates based on preliminary refunding numbers as of 12/27/2017 and are subject to change.*