SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A (the "Bonds")
Term Sheet

Bond / Credit Feature	Description
Purpose:	• Refinance the San Marcos Public Facilities Authority Special Tax Revenue Bonds 2006 Series A and San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds 2004 Series A and Series B (the "Prior Authority Bonds"). • In turn, the refunding of the Prior Authority Bonds will cause the defeasance of 18 series of special tax bonds (the "Prior Special Tax Bonds"), 17 of which were issued by improvement areas within the City's Community Facilities District 99-01 (San Elijo Hills) (the "CFD 99-01") and one issued by the City's Community Facilities District 91-01 (Twin Oaks Valley Ranch) (the "CFD 91-01"). • Generate savings for property owners in CFD 99-01 and in CFD 91-01.
Bond Structure:	• Proceeds of the Bonds will purchase 18 series of Special Tax Refunding Bonds (one each for the 17 Improvement Areas and CFD 91-01) (the "Special Tax Refunding Bonds"). The debt service on the Special Tax Refunding Bonds serves as "Revenue" to pay debt service on the Bonds.
Par Amount:	• The Bonds: $32,965,000* • An equal par amount of Special Tax Refunding Bonds (in aggregate) will be issued by the 17 Improvement Areas of CFD 99-01 and by CFD 91-01.
Coverage:	• The debt service on the Special Tax Refunding Bonds, in aggregate, is equal on a dollar-for-dollar basis to the debt service on the Bonds.
Debt Service Reserve Fund:	• A debt service reserve fund will be established for the Bonds. The Reserve Requirement is the lesser of a) 10% of Par, b) maximum annual debt service and c) 125% of average annual debt service. Based on the structure of the Bonds, the lesser of the three tests is item c). • The City expects to apply to the bond insurance companies to provide a debt service reserve fund surety policy and may fund 50% of the reserve requirement from such surety. • The reserve is held by the Bond Trustee and as such will be cross-collateralized with respect to draws to pay debt service on the Bonds. However, the Reserve Fund can only be replenished by special taxes from the Improvement Area (or CFD 91-01) that caused the draw. • To the extent available, the Improvement Areas and CFD 91-01 will receive a pro rata credit for the Reserve Fund in the final year of such Improvement Area's or CFD 91-01's levy.

Bond Rating:	• The City is seeking a rating from Standard & Poor's. The rating is expected before the September 23rd Council meeting.
Bond Term:	• The final maturity of the Bonds is September 1, 2038, the debt service drops off to mirror the maturity of the Prior Special Tax Bonds that are refunded in this financing. • In no case will any Improvement Area's or CFD 91-01's debt service be extended.
Underlying Credit:	• CFD 91-01: The Twin Oaks Valley Ranch community is fully built out with 292 units, 78 units have prepaid. The value-to-lien (VTL) including direct and overlapping (D&O) debt is 21:1*. • CFD 99-01: With the exception of one of the 17 Improvement Areas, all planned residential units in these Improvement Areas have been built and sold to individual property owners. The one that is not completely sold is nearing completion. The VTL for each Improvement Area, including D&O debt, ranges from 10:1* to 20:1*, and averages over 16:1*.
Bond Redemption:	• The Prior Authority Bonds are callable on any date upon 30 days' notice to bond owners at par. • The exact Redemption Date will depend on the timing for the pricing of the Bonds and the signing of a Bond Purchase Agreement. It will be roughly 30 days from such date.
Projected Savings:	• Based on market interest rates as of August 28, 2014, the refunding of the 2004 Series A Prior Authority Bonds generates NPV savings of $2.4 million (9% of refunded par). • Based on market interest rates as of August 28, 2014, the refunding of the 2004 Series B Prior Authority Bonds generates NPV savings of $100,000 (6% of refunded par). • Based on market interest rates as of August 28, 2014, the refunding of the 2006 Prior Authority Bonds generates NPV savings of $950,000 (10% of refunded par).
Costs:	• Annual administrative costs of CFD 91-01 and CFD 91-01 are paid through the annual Special Tax Levy. • Cost of Issuance paid by proceeds of the Bonds.

*Preliminary, subject to change.