

Fallbrook Villas

Metropolitan District

**Fallbrook Villas Metropolitan
District**

Refunding Analysis

October 2026

STIFEL

Update Since the Board's August Meeting

Stifel has been trying to find ways to get the District the lowest possible interest rates.

What has been happening over the past few weeks?

- Stifel tried to obtain an investment grade rating but was unable to do so.
 - Securing a rating would have lowered interest rates on the bonds.
- Stifel tried to obtain bond insurance but was unable to do so.
 - Bond insurance is another way to have lower interest rates on the bonds.
- Interest rates have increased due to inflation, continued military action in Iran and other factors.
- The District can consider either a public sale of non-rated bonds or a private placement with a bank. A private placement could potentially offer more favorable interest rates than the current public market, but may only be locked in for ten years.

(1) 1. Preliminary and subject to change. 2. Interest rate assumptions are based on current market conditions as of October 15, 2026, no underlying rating, and bond insurance. 3. Actual results may differ, and Stifel makes no commitment to underwrite at these levels. 4. Costs of issuance and underwriter's discount are estimates for discussion purposes. 5. Analysis was performed with no changes to the term or the structure of the debt service from the currently outstanding issue.

Bond Options Moving Forward

Given that a rated transaction is no longer attainable, below are alternative bond options for the District to consider.

1. Non-rated bonds similar to the current Senior Bonds sold in \$500,000 denominations.
 - a. The District would levy only the mills necessary to make the annual debt payment, currently estimated at approximately 43 mills assuming a 6.50% interest rate.
2. Non-rated bonds sold in \$5,000 denominations and “Supplemental Coupons” so the bond portion of the financing is less than 50% of the District’s assessed value.
 - a. Assuming a 6.00% interest rate, the District’s mill levy is estimated at approximately 41 mills.
3. Privately place the bonds with a bank rather than sell them in the public market. Depending on bank proposals and market conditions, a private placement could provide lower interest rates than currently available in the public market, but may only be locked in for ten years.
 - a. Assuming a 5.50% interest rate, the District’s mill levy is estimated at approximately 39 mills.

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Series 2026 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds

Refunding Results Across Various Interest Rates

Below is a financing summary showing how the District's mill levy savings fluctuate based on changes in interest rates.

Refunding Summary Statistics ¹			
Financing Option	Bank Placement (5.50%)	Bond Issue with Supplemental Coupons (6.00%)	Bond Issue with \$500,000 Denominations (6.50%)
Closing Date	11/17/2026	11/17/2026	11/17/2026
Par Amount Refunded	\$2,310,000	\$2,310,000	\$2,310,000
Estimated Escrow Cost	\$2,720,564	\$2,720,564	\$2,720,564
Refunding Par Amount	\$2,705,000	\$2,710,000	\$2,715,000
True Interest Cost	5.50%	6.00%	6.50%
Maturities Refunded	2026-2049	2026-2049	2026-2049
Current Required Mill Levy (Per Bond Documents)	63.500	63.500	63.500
Estimated 2027 Mill Levy	39.442	41.390	43.349
2027 Mill Levy Savings	24.058	22.110	20.151
Mill Levy Savings per \$500,000 of Home Value	\$752	\$691	\$630

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