



Legislation Text

File #: 19-276, **Version:** 1

Report regarding upcoming bond process for the Community Civic Campus. (*Justin Lovell, Financial Services Manager*)

RECOMMENDATION

No formal action is needed. The report is for information only.

BACKGROUND/DISCUSSION

Bonding Process

The purpose of this memo is to introduce bond issuance in relation to Measure W and the Community Civic Campus. It will also provide an outline for the next steps in the process of the bond issuance. As an overview, Measure W was approved by voters as a half-cent sales tax in November of 2015. The tax became effective April 1, 2016 and has a 30 year term. The Measure W sales tax revenue is used to maintain and enhance locally controlled City services, including the Paving Program and funding the Community Civic Campus.

The Community Civic Campus includes design and construction of a new Library, Park and Recreation facility and a new Police station. Construction of the first phase is slated to begin in January 2020 with the Police station. A majority of the construction costs of the Civic Campus will be funded through the issuance of lease revenue bonds or certificate of participation. These bonds will be secured by a pledge of lease payments in respect to an essential asset that is owned by the City. In this case, the leased asset is expected to be the Civic Campus itself and the City's General Fund will be pledged to make lease payments. More specifically Measure W sales tax revenue will be used as the budgetary source of payments.

Staff has been working with the City's financial advisor, PFM Financial Advisors LLC (PFM), to provide analysis and bonding capacity based on revenue from the Measure W tax. With the project nearing construction the City will begin the first steps in the bond issuance process. The process typically takes four to five months to complete. The key steps in the financing process include the selection of the financing team, drafting of legal and disclosure documents, City Council approval and obtaining credit ratings.

Below outlines the projected timeline:

Late April	Select financing team participants
Late April	Begin draft of legal and disclosure documents
May-June	Legal and disclosure document review
Mid July	Credit rating agency meetings
Late July	City council approval
Early August	Distribute offering document to investors
Mid-August	Bond pricing
Early Sept	Bond closing

In keeping with the above timeline the requests for proposals for underwriters and disclosure/bond counsel have been posted to the City website and distributed for direct solicitation to eleven firms for underwriting and

seven firms for bond and disclosure counsel.

Preliminary Funding Plan

All estimates are preliminary numbers. Staff continues to evaluate Measure W projections and the funding plan will require ongoing updates leading up to bond issuance. The total project cost is \$210.0 million. The preliminary funding plan for the project is as follows:

- *Measure W Cash* \$71.4 million
- *2019 Bond Proceeds* \$115.0 million
- *Other Local Sources* \$23.6 million

Measure W Cash is the revenue from inception of tax through anticipated project completion. *2019 Bond Proceeds* is estimated bond funds available for project costs, net of capitalized interest and transaction costs. *Other local sources* includes estimated funding sources such as public safety impact fee, donations, infrastructure reserves and other funds. This amount includes a funding gap.

The Bond issuance total is estimated at \$149.7 million at this time. \$115.0 million is for the project. The remaining \$34.7 million is for the following:

- *Capitalized Interest* \$28.3 million is set aside to pay interest on the bonds while the project is in construction.
- *Insurance & Surety Premium* \$5.0 million is the third party cost to insure the timely payment of debt service and purchase a surety policy in-lieu of the City maintaining a cash debt service reserve fund.
- *Underwriter's Discount* \$1.1 million is the cost paid to the underwriters for selling the bonds to investors on behalf of the City.
- *Costs of Issuance* \$0.3 million is the cost paid to financial advisors, bond counsel, disclosure counsel, rating agencies, and other ancillary costs associated with the sale of the bonds.

After construction is complete, the City will begin making debt service payments. The estimated total principal amount is \$149.7 million and the total interest amount is \$132 million.

Staff and consultant will present to the committee members at the meeting. Attached is preliminary detailed information about the project funding and bonding assumptions. Please know that this information will continuously be updated until bond issuance.

FISCAL IMPACT

None at this time. This is an information item.

CONCLUSION

This is an information item to update the committee members regarding the bonding process and preliminary assumptions related to the Community Civic Campus.

Attachment: Preliminary Project Funding and Bonding Assumptions