

City of San José Financing Authority

Commercial Paper Program

April 30, 2019

Item: 1

Presenters:

Julia Cooper, Director of Finance

Lori Mitchel, Director of Community Energy

Matt Cano, Director of Public Works

Nanci Klein, Asst. Director of Economic Development

Staff Recommendations

City Council

- Conduct a public hearing commercial paper program to finance up to \$6.5 million for construction of a full build-out of the 4th and San Fernando Garage office space for SJ Community Energy Department and other City operations.
- Approve Appropriation Ordinance and Funding Source Resolution amendments to General Fund for 2018-19.
 - Increase Other Revenue by \$4.8 million; and
 - Establish City Hall Expansion capital project appropriation to Public Works Department for \$4.8 million.

Joint City Council/Financing Authority

- Authorize use of City/Authority general fund-backed commercial paper program to finance up to \$6.5 million for construction of a full build-out of the 4th and San Fernando Garage office space for SJ Community Energy Department and other City operations.

Analysis

- SJCE Department Growth
 - Currently 21 staff on 14th floor of City Hall
 - In FY2019-20, 28 staff is projected
 - In FY2024-25, 50 staff is projected, cannot accommodate future growth on 14th floor due to space constraints
- Renovated Space
 - 4th and San Fernando Garage (6,075 sq. ft.)
 - Kaleid Gallery current sub-tenant of Downtown Association
 - City will provide 6 month notice of termination on May 1
- Construction Costs
 - \$3.8 million for renovation and tenant improvements
 - \$1.0 million project delivery costs
 - To be completed in August 2020

Analysis (cont.)

- Funding Mechanism
 - Issue taxable commercial paper notes not to exceed \$6.5 million.
 - CP notes will be repaid with refunding of CSJFA 2006A Lease Revenue Bonds (City Hall) in 2019-20.
 - Debt service will be allocated to General Fund with current lease allocation methodology adding 6,075 sq. ft. of space.
 - The yearly lease cost for SJCE Department is estimated at \$304,000 at \$50 per sq. ft., consistent with lease cost for City departments and SJCE's share of the lease allocation.
 - Compared to downtown lease space, due to the instability of leasing space and the continued support from other City departments, the interaction needed with various City departments in City Hall, and the potential for rising lease costs staff doesn't recommend this option.
- Source of Repayment
 - All fees and interest in 2019-20 will be paid by General Fund.

Utilization of CP Program

<u>Project</u>	<u>Amount</u> <u>(in millions)</u>
<i><u>CP Notes Already Issued</u></i>	
ESCO Conservation Equipment	\$ 7.7
Central Service Yard Phase II	4.4
Convention Center Exhibit Hall	12.7
Clean Energy	10.0
Convention Center - South Hall	<u>42.4</u>
Total Current CP Projects	\$ 77.2
<i><u>CP Notes Authorized but not Issued</u></i>	
Flood Projects	<u>\$ 18.9</u>
Total Outstanding and Committed	\$ 96.1
<i><u>CP Notes Anticipated to be Issued</u></i>	
City Hall Campus Expansion Construction	<u>\$ 6.5</u>
Grand Total	<u>\$102.6</u>
CP Program Issuance Capacity – Current	\$125.0
Unutilized Issuance Capacity	\$ 22.4

Recommendation

- Adopt a resolution to approve the issuance of CP Notes to provide financing for the construction of a full build-out of existing space within the 4th and San Fernando Garage for office space which will initially be occupied by the SJCE Department and other City operations in an amount not to exceed \$6.5 million.
- Adopt the following Fiscal Year 2018-2019 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - Increase the Other Revenue estimate by \$4.8 million; and
 - Establish the City Hall Expansion capital project appropriation to the Public Works Department in the amount of \$4.8 million.
- The City of San José Financing Authority Board (the “Authority Board”) adopt a resolution to approve the issuance of the CP Notes to provide financing for the construction of a full build-out of existing space within the 4th and San Fernando Garage for office space which will initially be occupied by the SJCE Department and other City operations in an amount not to exceed \$6.5 million.