

COUNCIL AGENDA: JUNE 20, 2023

ITEM: 6.1

FILE: 23-926

JOINT COUNCIL/CSJFA AGENDA: JUNE 20, 2023

ITEM: 2

FILE: 23-940

SAN JOSÉ MUNICIPAL WATER ADMINISTRATIVE & OPERATIONS BUILDING PROJECT FINANCING

Matt Loesch, Director of Public Works

Jeff Provenzano, Deputy Director of Environmental Services

Qianyu Sun, Deputy Director of Finance – Debt & Treasury Management



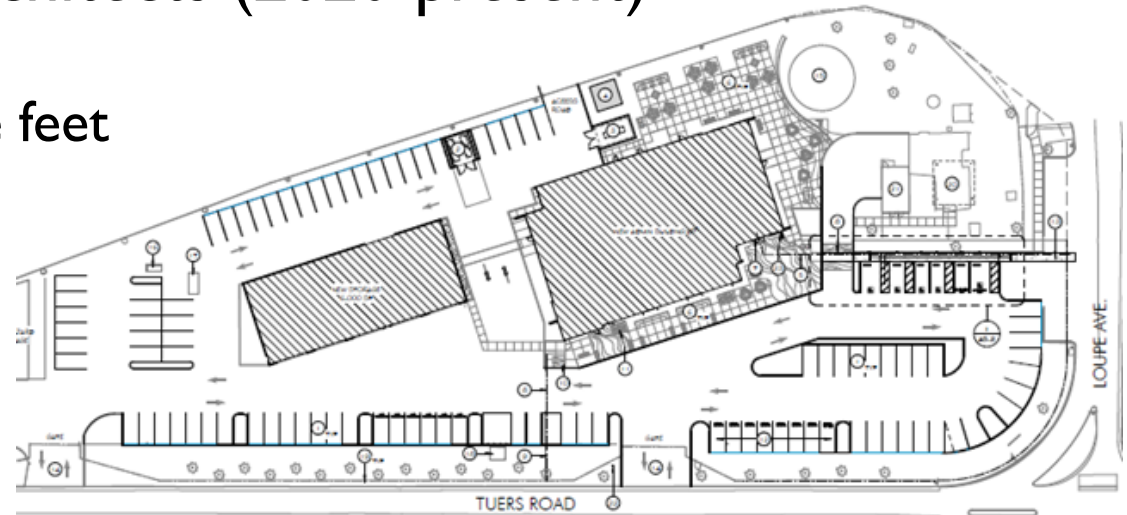
MUNI WATER EXISTING FACILITY

- Existing Facility
 - Three existing staff workspaces: converted equipment garage, temporary office trailer, administration building
 - Water system operations control center
 - Water quality room
 - Communications tower and equipment
 - Onsite water wells and backup power generation
 - Meter shop, hazmat storage, specialty utility equipment, City fleet, welding equipment, miscellaneous emergency and replacement water appurtenances, and electrical/instrumentation facilities
- Site improvements needed: deteriorating infrastructure, seismic/structural upgrades, mechanical improvements, investments to address staff health and safety, and implementation of net-zero carbon objectives



MUNI WATER ADMINISTRATIVE & OPERATIONS BUILDING PROJECT DEVELOPMENT

- Public Works led 2019 study (IBI Group)
 - Tuers Road Site Improvements – three options:
 - ☒ Purchase/remodel existing commercial/warehouse building
 - ☒ Purchase vacant land and build new
 - ⇒ Rebuild onsite (selected)
- New facility designed by Studio G Architects (2020-present)
- Project includes the construction of:
 - Two-story office building: 22,280 square feet
 - Storage building: 6,000 square feet
 - Sitework including:
 - * New communication tower and pad
 - * New parking lot
 - * New emergency generator



MUNI WATER PROJECT AWARD



- Project Timeline:
 - ✓ Bid Advertisement: April 2023
 - ✓ Bid Opening: June 15, 2023
 - ⇒ City Council Authorization to Award: June 20, 2023
 - Contract Award: July 2023
 - Construction Duration: Sept 2023 to Sept 2025
- City Council Authorization to Award:
 - Enable contract to be executed while City Council is in recess
 - Enable construction of Project to be completed prior to lease expiration of ESD temporary facility
- Engineer's Estimate:
 - Base Bid: \$33,230,000
 - Bid Alternate 1: \$450,000
 - Bid Alternate 2: \$2,145,000



MUNI WATER PROJECT FINANCING

- Short-Term
 - Issue Tax-Exempt Commercial Paper Notes by City of San José Financing Authority (CSJFA)
- Long-Term
 - Refund Tax-Exempt Commercial Paper (CP) Notes with future lease revenue bonds



COMMERCIAL PAPER PROGRAM

- A City-wide flexible short-term lease financing program started in 2004
- Pledged Assets
 - Tech Museum
 - Fire Stations 1 and 3
 - Police Communications Center
 - Animal Care Center
 - South San José Police Substation
- Secured by direct-pay Letter of Credit from US Bank until March 2025
- CSJFA can issue up to \$175.0 million of CP Notes
- Each CP Note may be outstanding up to 270 days
- Maturing notes can be paid off fully, partially, or “rolled” to another maturity date
- Outstanding CPs are amortized up to 7 years after project completion
- **CP Notes issuance requires Two-Thirds Vote (8) by the City Council**



COMMERCIAL PAPER PROGRAM – BENEFITS VS. RISKS

- Benefits
 - Short-term financing with amortization flexibility
 - Alternative to other medium term (7-10 years) financing vehicles
 - Lower cost of funds
 - No additional liens on improvements being financed
- Risks
 - Letter of Credit renewal
 - Variable interest rate
 - Letter of Credit bank downgrade
 - Marketability



PROPOSED CP PROGRAM UTILIZATION

PROJECT	CP OUTSTANDING	REMAINING CP AUTHORIZATION	CP OUTSTANDING & AUTHORIZED	PROPOSED AUTHORIZATION CHANGES	CP PROGRAM UTILIZATION
	A	B	C = A + B	D	E = C + D
Flood Improvement Recovery – Parks, Recreation, and Neighborhood Services*		\$6,400,000	\$6,400,000		\$6,400,000
Energy Purchases – San José Clean Energy	\$20,000,000	75,000,000	\$95,000,000	(\$20,000,000)	75,000,000
ESCO Conservation Project – Public Works**	6,415,000		\$6,415,000		6,415,000
Muni Water Building Infrastructure – Environmental Services				40,000,000	40,000,000
Total	\$26,415,000	\$81,400,000	\$107,815,000	\$20,000,000	\$127,815,000

* \$500,000 projected to be issued in June 2023

** One time authorization of \$10 million. CP notes issued are amortized over 7 years. Approximately \$700,000 will be paid on the outstanding principal of \$6,415,000 in June 2023.



JOINT CITY COUNCIL/CSJFA FINANCING AUTHORITY BOARD RECOMMENDATION (ITEM 2)

- 1) Conduct a public hearing in accordance with California Code Government Code Section 6586.5; and
- 2) Adopt a resolution of the CSJFA to approve and authorize the issuance of CSJFA CP Notes for \$40 million to finance the construction of the Muni Water Project, and reduce the authorization of CSJFA CP Notes for San José Clean Energy to \$75 million, further amending Authority Resolution No. 152, and authorizing other connected actions; and
- 3) Adopt a resolution of the City Council to approve and authorize the issuance of CSJFA CP Notes for \$40 million to finance the construction of the Muni Water Project and reduce the authorization of CSJFA CP Notes for San José Clean Energy to \$75 million, further amending Council Resolution No. 80125 and authorizing other connected actions.



CITY COUNCIL RECOMMENDATION (CITY COUNCIL ITEM 6.1)

- a) Adopt a resolution adopting the Initial Study/Mitigated Negative Declaration for the San José Municipal Water New Offices Project, and the related Mitigation Monitoring and Reporting Plan, in accordance with the California Environmental Quality Act.
- b) Adopt a resolution authorizing the Director of Public Works to:
 - 1) Award and execute a contract for the construction of 9813 - San José Municipal Water New Offices Project to the lowest responsive, responsible bidder in an amount not to exceed \$38,214,500;
 - 2) Decide any timely bid protest(s) and make the City's final determination as to the lowest responsive bidder that is responsible as needed to award the contract; and
 - 3) Approve a contingency of up to 15% of the amount of the construction contract for the Project.



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