

City of San José Financing Authority Commercial Paper Program

*Joint City of San Jose Council and
San Jose Financing Authority Board*

Agenda Item 1

(In conjunction with Council Agenda Item 3.6 (File 21-042))

January 12, 2021

Presenters:

Julia H. Cooper, *Director of Finance*

Nikolai J. Sklaroff, *Deputy Director of Finance,
Debt & Treasury Management*

Overview

- Actions ensures sufficient funds are available to award contract for construction of Fire Department Training Center/Emergency Operations Center, Council Agenda Item 3.6
- Conduct a public hearing concerning issuance of Commercial Paper Notes by City of San José Financing Authority
- Adopt a resolution to approve the issuance of Commercial Paper Notes in an amount not to exceed \$23.4 million and to make a determination that there will be significant public benefits accruing from such financing.
- UNDER BOTH THE DEBT MANAGEMENT POLICY AND SAN JOSE MUNICIPAL CODE SECTION 4.34.200, APPROVAL OF THE ISSUANCE OF THESE CP NOTES REQUIRES A TWO-THIRDS VOTE BY THE CITY COUNCIL (8 VOTES)
- Public Works will provide detailed briefing on Project and Contract

FTC-EOC Project Funding Uses

Use

Construction Costs	\$54,105,000
Land Acquisition	8,505,801
Department of Public Works Management	6,229,191
Construction Contingency	5,410,500
Consultants	3,990,430
Energy Resiliency Reserve	2,365,000
Furniture and Equipment	2,000,000
EOC Emergency Equip	1,715,000
Solar Panels Removal	1,131,418
Public Art	813,660
Moving HSJ Museum to Building C	600,000
Department of Public Works Administration	369,000
Total Use	\$87,235,000

Source: Public Works Department

FTC-EOC – Funding Sources and Shortfall

Source

Property Sale Proceeds from Google	\$36,835,000
Measure T - EOC	21,500,000
CAL OES Grant for FTC	3,000,000
CAL OES Grant for EOC Equipment	2,500,000
Google Sale - Remaining Sale Proceeds*	4,200,000
Measure T - Future Bond Issuance*	4,200,000
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Total Source	\$72,235,000
Project Shortfall	(\$15,000,000)
Project Revenue Not Yet Received*	(\$8,400,000)
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Amount to be Financed	(\$23,400,000)

Source: Public Works Department

The City's Commercial Paper Program

- An inexpensive/flexible interim borrowing tool for departments.
- Financing Authority can issue up to \$125 million of Commercial Paper (CP) Notes
- Each Note may be outstanding up to 270 days. Internally, the City amortizes the debt for up to seven years.
- Program is secured by two bank direct-pay Letters of Credit (LOCs) (State Street and U.S. Bank – each \$62.5 million) renewal or replacement required before expiration in February 2022
- Based on the City's strong credit, the short nature of the borrowing and the highly-rated bank LOCs, the current all-in costs are under 1% and much lower than issuing 30 year or other fixed bonds.

Commercial Paper True Interest Cost

History of City of San Jose Commercial Paper Rates

Fiscal Year	<u>Interest Rates</u>		LOC Fee*	Remarketing Fee	Other Fees	<u>All-In Interest Cost</u>	
	Tax Exempt	Taxable				Tax Exempt	Taxable
2015-16	0.108%	0.351%	0.520%	0.045%	0.04%	0.713%	0.956%
2016-17	0.718%	0.878%	0.520%	0.045%	0.04%	1.323%	1.483%
2017-18	1.051%	1.435%	0.520%	0.045%	0.04%	1.656%	2.040%
2018-19	1.695%	2.533%	0.420%	0.045%	0.04%	2.200%	3.038%
2019-20	1.052%	1.660%	0.420%	0.045%	0.04%	1.557%	2.165%
2020-21**	0.207%	0.223%	0.420%	0.045%	0.04%	0.712%	0.728%

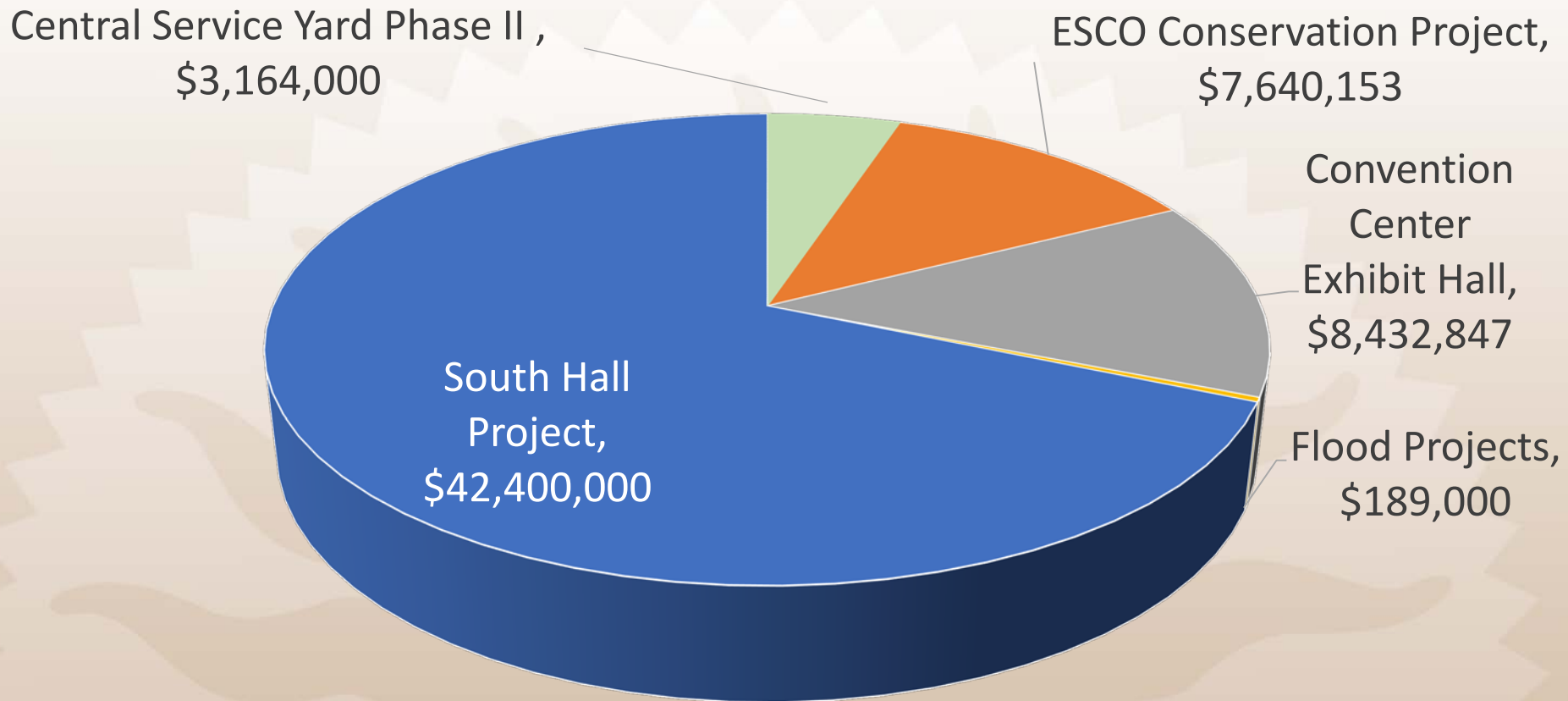
*Paid on Bank authorization of \$125 million plus interest at 10% for 270 days, or \$134,246,576.

** Data for first two fiscal quarters; interest rates are variable; LOC fees expire February 2022.

Utilization of CP Program

Commercial Paper Outstanding

(\$61,826,000 of \$125,000,000 Authorized)



Utilization of CP, if FTC/EOC is Approved

<u>Project</u>	<u>Amount</u> <u>(in millions)</u>
<u>CP Notes Already Issued</u>	
ESCO Conservation Equipment	\$ 7.6
Central Service Yard Phase II	3.2
Convention Center Exhibit Hall	8.4
Flood Projects	0.2
Convention Center - South Hall	42.4
Total Current CP Projects	<u>\$61.8</u>
<u>CP Notes Authorized but not Issued</u>	
Flood Projects	<u>\$15.1</u>
Total Outstanding and Committed	<u>\$76.9</u>
<u>CP Notes Anticipated to be Issued</u>	
*FDTC/EOC Project	<u>\$23.4</u>
Grand Total	<u>\$100.3</u>
CP Program Issuance Capacity – Current	\$125.0
Unutilized Issuance Capacity	<u>\$24.7</u>

^[1]*Subject to Council approval based on this Agenda item.



Contract for Construction of the Fire Training Center and Emergency Operations Center

Agenda Item 3.6
(to be heard in conjunction with the
Finance Authority Board Agenda Item 1)
January 12, 2021

Presenters:

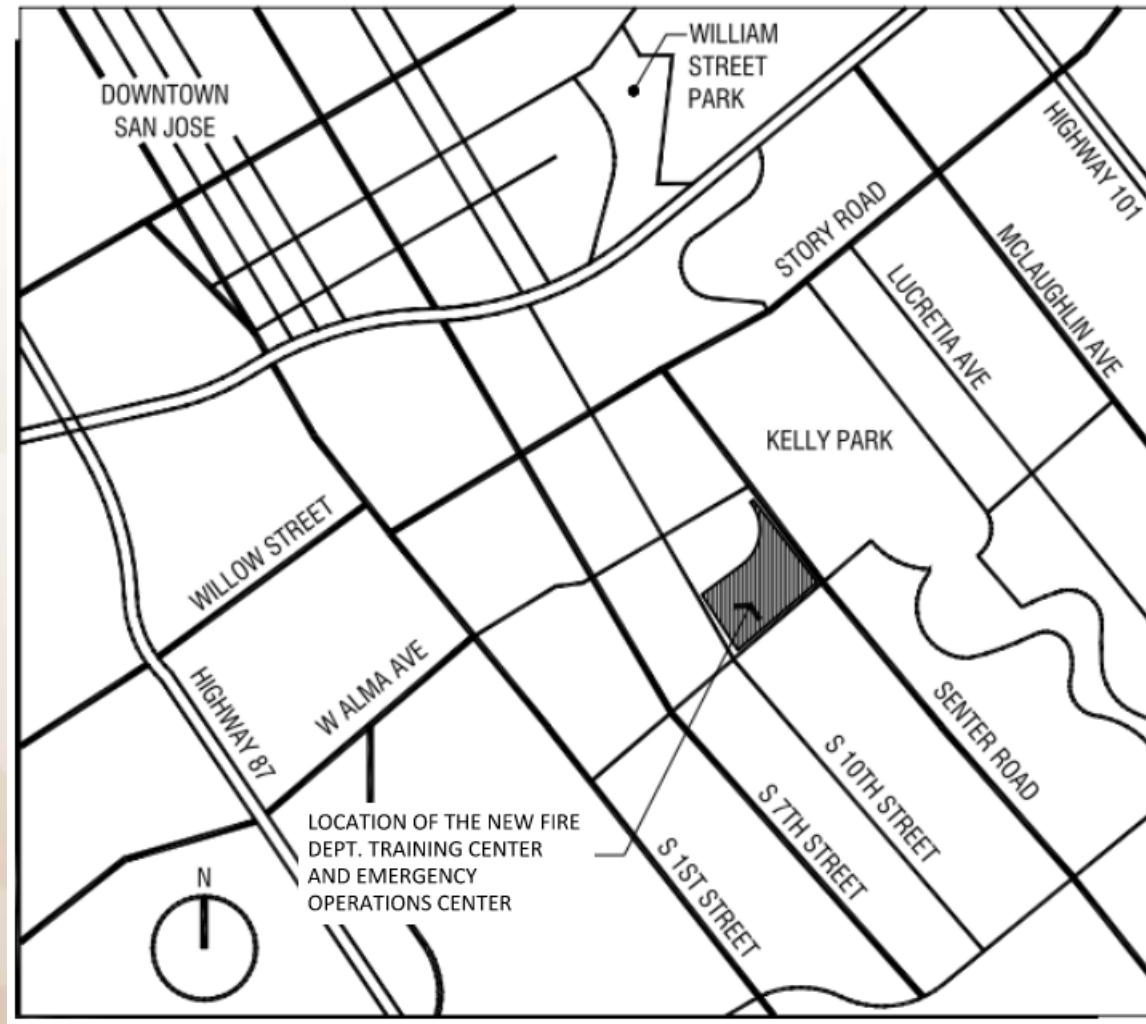
Matt Cano, Director of Public Works

Domenic Onorato, Measure T Public Safety Program Manager





Vicinity Map



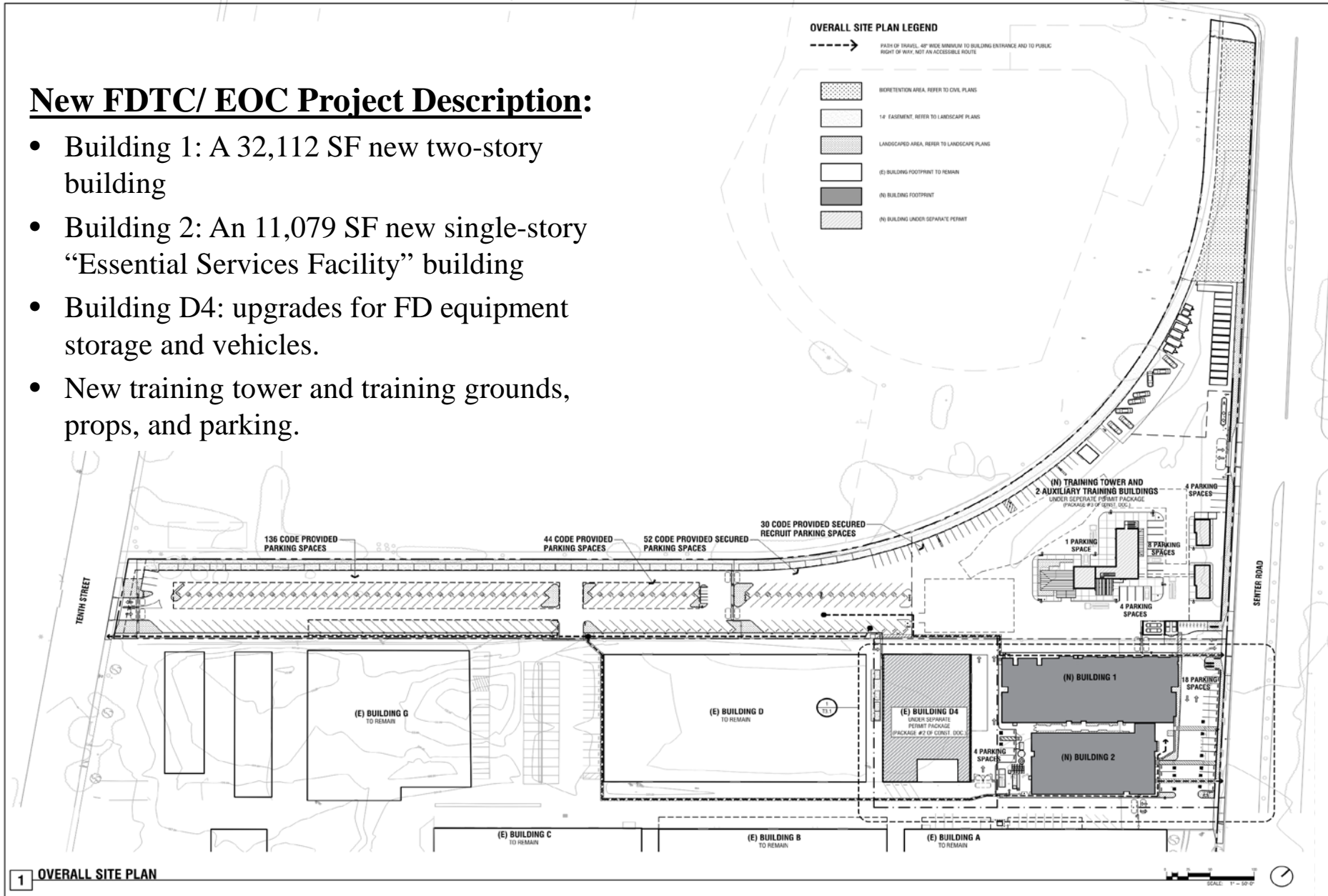


SITE CONTEXT AND EXISTING CONDITIONS:



New FDTC/ EOC Project Description:

- Building 1: A 32,112 SF new two-story building
- Building 2: An 11,079 SF new single-story “Essential Services Facility” building
- Building D4: upgrades for FD equipment storage and vehicles.
- New training tower and training grounds, props, and parking.





View from Senter Road





Lobby



Training Classroom





Emergency Operations Center





Training Tower





Bid Summary:

- Three bids received
 - Zovich Construction (Brentwood, 7.7% under estimate)
 - Thompson Builders Corp (Novato, 3% under estimate)
 - Sausal Development (Concord, 22.7% under estimate)
- Low bids allows City to afford add-alternates
- Recommended award to Zovich Construction
- Includes a Project Labor Agreement
- \$21.7M (38% of construction cost) = local subs





Project Add Alternates –

Recommended award includes all but #6 and #10

1. EOC Emergency Equipment
2. Building D4 Retrofit/Carport
3. Training Tower & Auxiliary Buildings
4. Solar Panels – Building
5. Solar Panels – Parking
6. **Battery Storage – Not recommended at this time**
7. Fire Training Props
8. Microgrid
9. Redundant Fiber Connection
10. **Accelerated Project Schedule - Not recommended**





New FTC/EOC Relocation Project Schedule:

- Construction start February/March 2021
- Complete Training Tower by April 2022
- Complete entire facility by December 2022



1) CSJFA Commercial Paper Approval

- Conduct the Public Hearing
- Adopt resolution
 - to approve issuance of CP Notes in an amount not to exceed \$23.4 million
 - Find there will be significant public benefits accruing from such financing
- **Approval of the issuance of the CP Notes requires a two-thirds vote by the City Council (8 votes)**

2) Construction Project Approval

- As outlined in detail in staff memorandum:
 1. Report on bids and award of the construction contract (base bids and recommended add alternates) for the FTC/EOC to Zovich Construction, Inc.
 2. Adopt necessary appropriation actions
 3. Certify that funding of the operations of this facility will not require a decrease in existing basic neighborhood services



FIRE DEPARTMENT TRAINING CENTER (FDTC) AND EMERGENCY OPERATION CENTER (EOC) RELOCATION PROJECT

Council Hearing January 12, 2021

Matt Cano, Director

Domenic Onorato, Measure T Public Safety Program Manager

