

Authorization of Issuance of Lease Revenue Bonds Series 2021A (Fire Department Training Center and Central Service Yard Projects)

**Joint City Council/
City of San José Financing
Authority
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Item # 1**

Presenters:

Julia H. Cooper, Director of Finance
Matt Cano, Director of Public Works
Nikolai Sklaroff, Deputy Director of
Finance, Debt & Treasury
Management



Objectives of the 2021A Bonds

- Refund Central Service Yard 2003A Bonds and Central Service Yard Commercial Paper Notes (“Central Service Yard CP Notes”)
- Provide a portion of the funding of the Fire Department Training Center (\$15 million) and Central Service Yard (\$7.6 million) Projects
- Structure amortization of the 2021A Bonds so annual debt service payments will approximate the existing budgeted annual debt service payments on the 2003A Bonds and the Central Service CP Notes (to minimize the annual budgetary impact of the financing)

Fire Department Training Center Project*

- Fire Department Training Center (“FDTC”) Project consists of several components:
 - 1591 Senter Road (part of the Leased Assets)
 - Six-story training tower that includes concrete paving around the tower for the Fire Department to practice fire emergencies
 - Two single-story auxiliary training buildings
 - 1661 Senter Road on the current Central Service Yard site (not part of the Leased Assets)
 - Two-story 32,112 square-foot building to house training classrooms for the Fire Department, recruits and EOC trainees, restrooms, showers and locker rooms for training recruits and staff, private office and open cubicle spaces, and building support rooms.

* 2021A Bond proceeds will be used to finance \$15 million of the construction costs, the balance to be funded from proceeds from the sale of the existing Fire Training Center site on Montgomery Street and CAL OES Grant.

Fire Department Training Center Project



Central Service Yard Project*

➤ Consisting of the following projects:

- Fueling island
- HVAC replacement work
- Pavement replacement
- Perimeter security fencing
- Roof overhang rehabilitation
- Water main replacement
- Roof replacement, painting, and supplemental needs

Assets Securing the Lease Revenue Bonds

- Assets being constructed and assets being leased differ
- To enhance security for the 2021A Bonds and keep valuable Central Service Yard assets unencumbered for future financing opportunities, Leased Assets for which the City will pay rent securing the bonds include:
 - Land and buildings to be constructed at 1591 Senter Road (Training Tower, Auxiliary Buildings)
 - Fire Station 29 and Fire Station 34
 - Once the new buildings are built at 1591 Senter Road, Fire Stations may be released from Lease

Estimated Sources & Uses of 2021A Bonds*

Sources of Funds

Par Amount of 2021A Bonds	\$23,185,000
Premium	3,817,782
2003A Debt Service Reserve Fund	1,663,568
Total Sources	<hr/> \$28,666,350

Uses of Funds

Deposit to:	
Project Funds (\$15M - <i>Fire Training Center and \$7.6M - Central Service Yard Projects</i>)	\$22,600,000
2003A Escrow Fund	3,160,313
CP Notes Reimbursement Account (<i>Central Service Yard</i>)	2,481,422
Costs of Issuance/Underwriter's Discount	424,615
Total Uses	<hr/> \$28,666,350

* Preliminary, as of September 10, 2021, subject to change.

Bond Payment Structure – 2021A Bonds

- Lease payments made by City to Authority:
 - Sole source of payment for the 2021A Bond debt service payments
 - Payable from any source of legally available funds of the City
 - Rental payments are made for the beneficial use and occupancy of the Leased Assets (1591 Senter Road land and facilities to be constructed, Fire Station 29, and Fire Station 34)
- No debt service reserve account is required to be funded

Bond & Legal Documents for Approval

- For the Series 2021A Bonds, the Council and Authority Board are being presented:

Resolutions	Preliminary Official Statement
Indenture of Trust	Site Lease
Lease Agreement	Bond Purchase Agreement
Continuing Disclosure Certificate	

- Pursuant to Government Code Section 5852.1 (effective on January 1, 2018 by the enactment of Senate Bill 450), certain financial information relating to the 2021A Bonds are included in the Resolutions, and such information is disclosed and made public (“Good Faith Estimate”)

Importance of Disclosure - Securities Laws

- Section 17(a) of the Securities Act of 1933 prohibits fraud in the offer or sale of securities, including municipal bonds
- Section 10(b) of the Securities and Exchange Act of 1934 prohibits fraud in the purchase or sale of securities, including municipal bonds
- SEC Rule 10(b)(5) prohibits:
 - Making of any untrue statement of material fact or omitting to state a material fact in the offer or sale of securities
 - A fact is material if there is a substantial likelihood that its disclosure would be considered significant by a reasonable investor

Elected Official's Responsibility in Official Statement Review

- Review the primary disclosure document for information on key topics:
 - Purpose of the bond issue
 - Sources of repayment of the bonds
 - Risks that the sources of repayment may be insufficient to repay the bonds
 - Discussion of any other events or information that could affect the deliberations of a reasonable investor

Elected Official's Responsibility in Official Statement Review

- After such review of the document the following additional elements should be considered:
- Have identified material risks and events been brought to the attention of staff, bond counsel and other professionals?
 - Have such risks and events been disclosed, and if not, what is the rationale for the non-disclosure?

Review of Official Statement

- Introduction section in the Official Statement describes purpose of the 2021A Bonds and source of repayment
- More detailed information and discussions on risks related to repayment of the 2021A Bonds included in sections:
 - Security and Sources of Payment for the Bonds
 - The Project
 - Certain Risk Factors
 - Constitutional and Statutory Provisions Affecting City Revenues and Appropriations
- Appendix A: City's financial position including fiscal pressures and economic and demographic information useful to investors
- Appendix B: Detailed information about both Retirement Plans
- Elected officials not expected to be “fact checkers”

Elected Officials' Responsibility

- *If any Councilmember or Authority Board member has any personal knowledge that any of the material information in the Official Statements is or may be false or misleading or that material information has been omitted, the Councilmember/Authority Board member must raise these issues prior to approval of the distribution of the document*

Financing Schedule – 2021A Bonds

- October 8, 2021 Release of POS to investors
- October 19, 2021 Bond Pricing
- November 2, 2021 Expected Bond Closing



City Council Recommendations

- Conduct a public hearing for the approval of the issuance of the City of San José Financing Authority Lease Revenue Bonds, Series 2021A
- Approve and authorize the execution of documents and approve related actions in connection with the issuance of the Authority's Lease Revenue Bonds, Series 2021A (Fire Department Training Center and Central Service Yard Projects), in the principal amount not to exceed \$30,000,000 and amend Resolution No. 80125 relating to the City of San José Financing Authority Lease Revenue Commercial Paper Notes

Authority Board Recommendations

- Authorize the issuance by the Authority of the 2021A Bonds in the principal amount not to exceed \$30,000,000
- Approve and authorize the execution of documents and approve related actions in connection with the issuance and amend Resolution No. 152 relating to the City of San José Financing Authority Lease Revenue Commercial Paper Notes.