



Sunnyvale

RTC 20-0673: Water Infrastructure Financing
and Innovation Act Loan to the City of
Sunnyvale for Phase II of the Sunnyvale Clean
Water Program

September 15, 2020

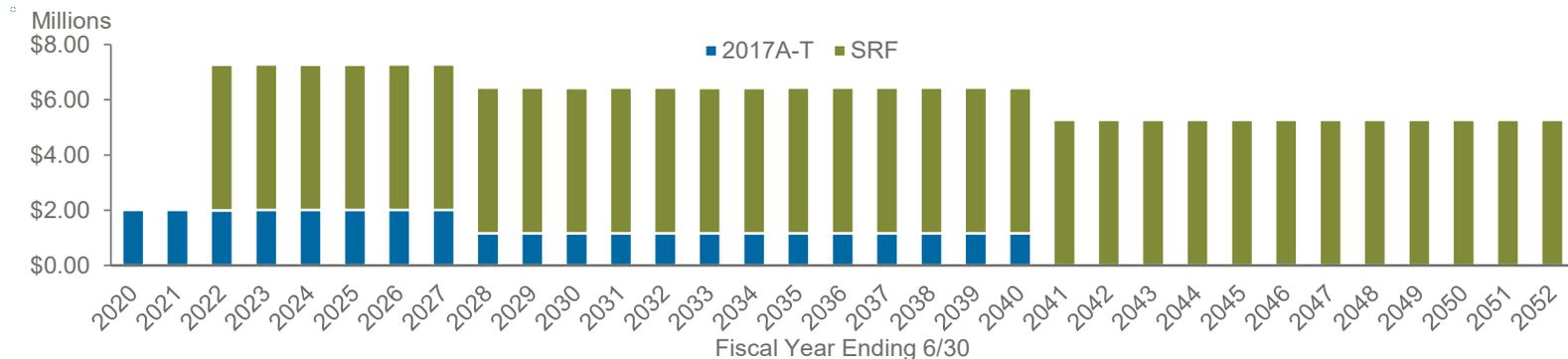
SCWP Phase 2 encompasses three elements implemented concurrently:

- Treatment Facility Rehabilitation: rehabilitation of the WPCP's existing secondary and tertiary treatment facilities;
- New Secondary and Biosolids Treatment Facilities: construction of new secondary treatment and solids handling facilities; and
- New Support Facilities: reconstruction of support facilities (the Administration/Laboratory/Maintenance Building) necessary to operate the plant.

SOURCES OF FUNDS	AMOUNT (\$ USD)	PERCENTAGE (%)
WIFIA Loan	\$220,628,721	49.0%
Revenue Bonds	161,631,547	35.9
Cash	68,000,000	15.1
Total Sources of Funds	\$450,260,269	100.0%
USES OF FUNDS	AMOUNT (\$ USD)	PERCENTAGE (%)
Construction	\$327,055,056	72.6%
Design and Permitting	34,757,907	7.7
Planning	987,658	0.2
Contingency	[included in Construction]	
Other: Contractor's Contingency	32,705,506	7.3
Other: Program Management	16,996,286	3.8
Other: Construction Management	17,103,009	3.8
Other: City Management	2,443,287	0.5
Other: Non-Federal Interest and Financing Costs	18,211,560	4.1
Total Uses of Funds	\$450,260,269	100.0%
Total Eligible Project Costs	\$450,260,269	100.0%
Total Project Costs	\$450,260,269	100.0%

- Capital improvements associated with the existing infrastructure of a utility should be primarily funded from two sources: rate revenue and debt financing.
- Local, state, and federal funding sources, such as grants and contributions, should be pursued
- Bonded debt financing should be used for capital improvements as appropriate to:
 - ❑ Make cost recovery of an asset more consistent with its useful life
 - ❑ Equitably assign cost over multiple generations of customers who use the assets
 - ❑ Smooth near-term rate impacts of the project

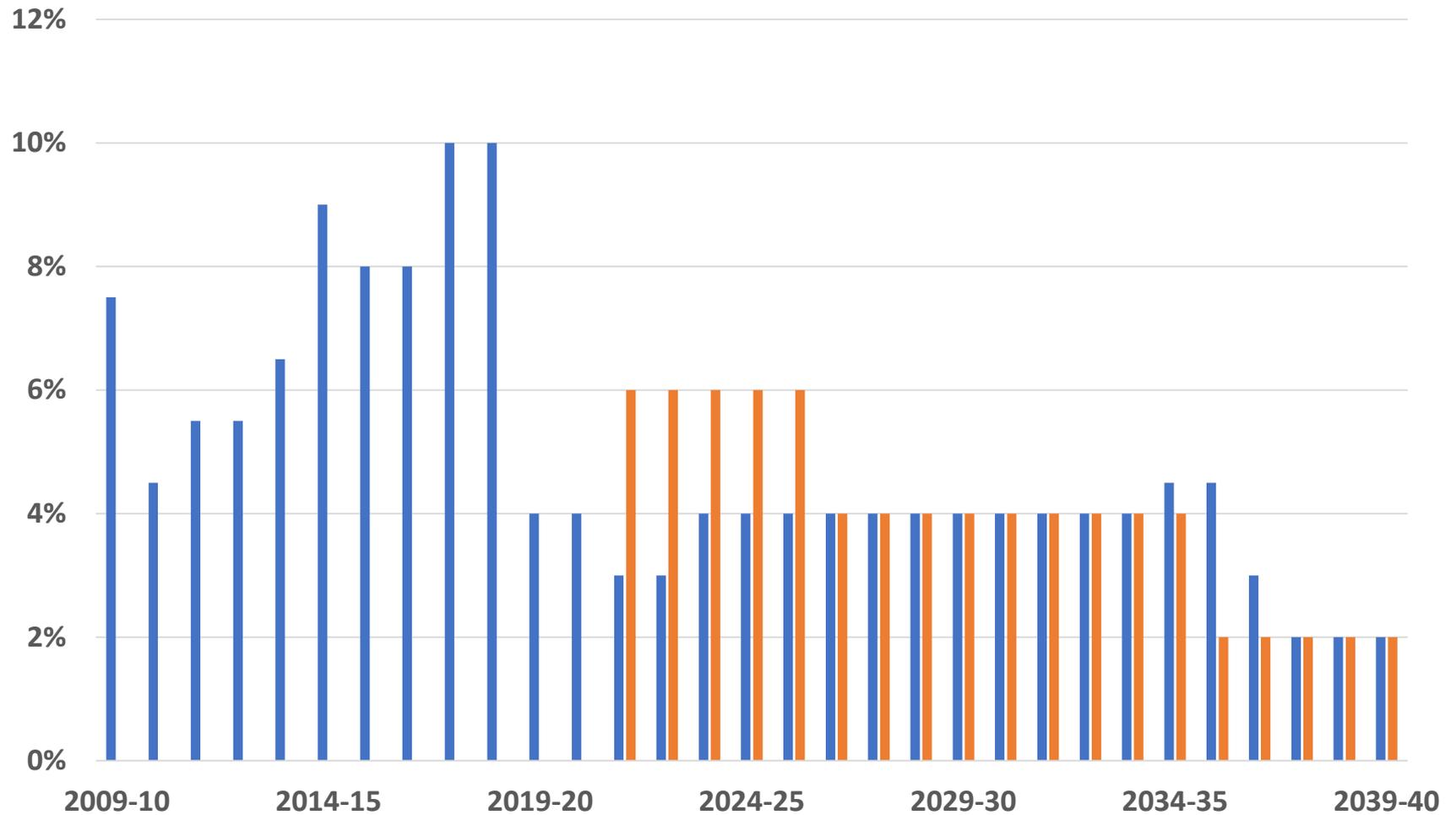
- Wastewater Revenue Refunding Bonds, Series 2017A and Series 2017A-T
 - \$20,525,000 outstanding (aggregate)
 - Final maturity of April 1, 2040
 - Level annual debt service of ~\$2.01 million through FY 2027 and ~\$1.63 million through FY 2040
- Clean Water State Revolving Fund Loan
 - \$127 million loan on parity with 2017 Bonds
 - Interest at 1.7% on drawn portion (\$38.6 million outstanding)
 - Level debt service of \$5,270,934 from FY 2022 to FY 2051



- Operating and Maintenance Expenses
- Net Revenues - pledged
- Debt Service Coverage
- Parity Debt
- Additional Bonds Test

- WIFIA loan presents an opportunity to decrease funding costs and increase financing flexibility
- Non-WIFIA funded portion assumes fixed rate long-term parity revenue bonds and pay-go financing
- Parity lien structure for the WIFIA loan
- Other WIFIA loan assumptions:
 - Closing date in early October 2020 and interest rate: 1.42%
 - Amortization: Level debt service from FY 2055 - 2060
- City may issue Bond Anticipation Notes in advance of drawing on the WIFIA if financially advantageous

- Additional Bonds Test requires based on “imputed debt service.”
- Prepayment condition if balances in excess of other requirements and reserves exceeds two times the City’s Operations and Maintenance Costs
- Reporting requirements including updating the financial model annually and providing limited annual reporting.
- There is a short-term rate impact, debt does constrain rate making to some extent



• **10 year historical average actual rate increase: 7.1%**

- Great flexibility and low-cost loan
- Significant savings over the same size market debt
- Total debt service on the Loan is approximately \$346 million
- Staff recommends that Council: Adopt a Resolution Authorizing the City to Enter into a Loan Agreement with the United States Environmental Protection Agency up to the amount of \$221,000,000 and Authorizing the City Manager to Execute the Loan Agreement and Related Documents and Pay All Closing Costs.