



Sunnyvale

# Solid Waste Revenue Bonds to Finance SMaRT Station<sup>®</sup> Improvements and Equipment

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# Overview of Recommended Actions

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- Authorize Issuance of Solid Waste Revenue Bonds to Finance SMaRT Station<sup>®</sup> Improvements and Equipment in an Amount Not to Exceed \$50 million
- Authorize the City Manager/Executive Director or the Finance Director/Treasurer to Execute all Related Documents

# Background

The City of Sunnyvale owns and operates the SMaRT Station®, the City-owned waste transfer and processing facility that processes garbage, source-separated curbside and commercial recyclable materials, yard trimmings, food scraps, and construction and demolition debris.



# Background

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- Mountain View and Cupertino (beginning January 2027) also send their waste to the SMaRT Station<sup>®</sup>.
- Much of the equipment has reached the end of its useful life and must be replaced.
- Council awarded the main contract to Bulk Handling Systems (BHS) to deliver the Next Gen project in May 2025
- Total project costs are approximately \$51.5 million

# Next Gen Project Costs & Sources

<u>Project Costs</u>	<u>Cost</u>
Project Expenses to Date (excluding BHS costs)	\$5,540,000
BHS Contract including contingency*	35,063,175
SSI Compactor including contingency	2,672,831
Other Improvements	8,260,000
<b>Total Project Cost</b>	<b>\$51,536,006</b>
<u>Project Sources</u>	
State Recycling Grant	\$6,575,000
Bond Proceeds**	44,961,006
<b>Total Sources</b>	<b>\$51,536,006</b>

\*The City issued a \$6.9m payment to BHS following contract execution

\*\*Mountain View may contribute \$4 million to fund a portion of its share of costs; if so, the bond principal would be reduced accordingly.

# Overview of Bonds

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- Expected rating: ~AA (S&P)
- Not to exceed par of \$50 million
- Final maturity of November 1, 2045 (20-year term)
  - ◆ Level debt service throughout term
- Security
  - ◆ Semi-annual payments from City's Solid Waste Fund (including Mountain View MOU payments)
  - ◆ Secured by pledge of net revenues of the Solid Waste Fund
  - ◆ City covenants to set rates at a level to pay operating costs plus 120% of the debt service payments

# Finance Team

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- Bond and Disclosure Counsel: Jones Hall
- Municipal Advisor: Ross Financial
- Underwriter: Stifel
- Trustee: U.S. Bank

# Financial Impacts

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- Bonds to fund:
  - ◆ \$45.4 million total
    - \$44.9 million of Project Costs
    - \$420,000 of Transaction Costs (Underwriters' Discount, Bond/Disclosure Counsel, Municipal Advisor, Rating Fees)
- Annual Debt Service: ~\$3.3 million
- Anticipated Interest Rate: ~4.1%
- Total Debt Service: ~\$67.1 million
- Financial Plan assumes this debt and includes rate increases between 2-4%

# Documents to be Approved

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- Preliminary Official Statement (including Continuing Disclosure Certificate)
  - ◆ Must include all material information about the bonds and Solid Waste enterprise
- Indenture of Trust
- Installment Sale Agreement
- Bond Purchase Agreement

# Next Steps

- October 29: Post Preliminary Official Statement
- Week of November 2: Price Bonds
- Week of November 10: Close Bonds



# Recommendation

## City

Adopt a Resolution of the City Council of the City of Sunnyvale Approving Solid Waste Revenue Bonds Issued by the Sunnyvale Financing Authority in the Maximum Principal Amount of \$50,000,000 to Finance SMaRT Station Improvements and Equipment, Approve an Installment Sale Agreement and Other Documents, Authorize Official Actions and Related Matters, and Approve the Financing Team.

## Financing Authority

Adopt a Resolution of the Board of Directors of the Sunnyvale Financing Authority Authorizing the Issuance and Sale of Solid Waste Revenue Bonds in the Maximum Principal Amount of \$50,000,000 to Finance SMaRT Station Improvements and Equipment, Adopting a Debt Management Policy, and Approving Related Documents and Actions.