



Sunnyvale

# Sunnyvale Financing Authority – Lease Revenue Bonds (Civic Center Project), Series 2020 (Green Bonds)

Tim Kirby

Sunnyvale, October 13, 2020

# Overview of Recommended Actions

---

- Authorize issuance of Lease Revenue Bonds to finance a portion of the costs of the Civic Center Phase I Project in an amount not to exceed \$160,000,000 (the “Bonds”)
- Authorize the execution of various documents relating to the Bonds

# Background

---

- The Civic Center Modernization Project Master Plan has been under development since October 2016
- Schematic Design Approved on August 27, 2019
- Construction Bid Received on September 30, 2020
- Original Budget Estimate: \$280 million
  - ◆ \$150 million to be funded from Bond proceeds
  - ◆ \$130 million to be funded with City equity

# Funding Sources for Civic Center Budget

---

- \$130 M in Cash Sources
  - ◆ \$63 M in Property Sales (discretionary)
  - ◆ \$20.6 M in use of infrastructure reserves (discretionary)
  - ◆ \$28.4 M in Park Dedication Fees (restricted)
  - ◆ \$18 M in other sources included community benefits, one-time contributions for equipment from all funds, and Transportation Impact Fees.
- \$150 M in Financing

# Overview of Bonds

---

- Ratings: Aa1/AA+ (Moody's/S&P)
- Not to exceed par of \$160 million
- Final maturity of April 1, 2052
  - ◆ Interest only payments for three years
  - ◆ Level debt service for remaining term
- Security
  - ◆ Semi-annual lease payments from City's General Fund
  - ◆ City covenants to annually budget and appropriate lease payments

# Overview of Bonds (continued)

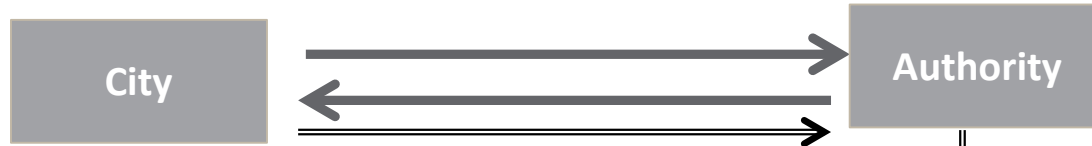
---

- Asset transfer
  - ◆ Initial Leased Assets: Existing City Hall, Public Safety Building and Corporation Yard
  - ◆ After construction: New City Hall and Renovated Public Safety Building/EOC
- Green Bonds
  - ◆ Facilities financed with the Bonds will be net-zero energy-efficient and/or designed as LEED-platinum or LEED-gold certified
  - ◆ As “Green Bonds”, the Bonds may attract specific socially motivated investors

# Financing Structure

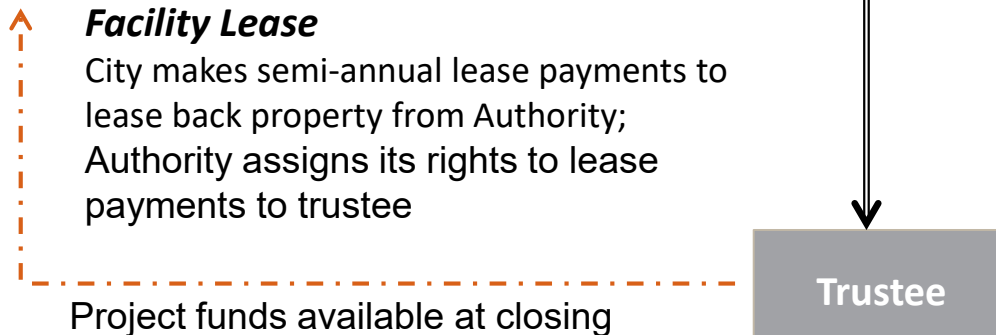
## **Site Lease**

City leases property to Authority which leases it back to the City for use



## **Facility Lease**

City makes semi-annual lease payments to lease back property from Authority; Authority assigns its rights to lease payments to trustee



Underwriter

Investors purchase Bonds;  
Underwriter delivers  
purchase price at closing

Bond  
Owners

Transfer of Properties

Flow of Lease Payments

Funds at closing

## **Trust Indenture**

Trustee uses lease payments to pay bond debt service

# Finance Team

---

- Bond and Disclosure Counsel: Jones Hall
- Municipal Advisor: Ross Financial
- Underwriters: Stifel (Senior Manager), BofA Securities, J.P. Morgan and Raymond James (Co-managers)
- Trustee: U.S. Bank



# Financial Impacts

---

- Bonds to fund:
  - ◆ \$150,000,000 of Project Costs
  - ◆ \$715,000 of Transaction Costs (Underwriters' Discount, Bond/Disclosure Counsel, Municipal Advisor, Rating Fees, Title Insurance)
- Annual Debt Service: \$7,630,000 (based on rates as of October 2, 2020 + 0.50%)
  - ◆ Rents paid by enterprise departments: \$6.2 M escalating, balance of rent allocation to General Fund Departments
- Total Debt Service: \$233,700,000

# Alternative – Smaller Debt Issuance

---

- Current Bid is less than engineer's estimate
- Staff has presented option of Financing \$125 M in proceeds (not to exceed funding size of \$135 M)
- Smaller debt size has some risk:
  - ◆ Not all cash is unrestricted
  - ◆ Project has unknowns, especially with the remodel of the public safety building
- Funding the original amount is cost effective given current rates, and allows the City to reserve cash saved from the Civic Center project for future projects (e.g. next phase, fire stations, corporation yard)

# Alternative – Smaller Debt Service

---

- Bonds to fund:
  - ◆ \$125,000,000 of Project Costs
  - ◆ \$672,000 of Transaction Costs (Underwriters' Discount, Bond/Disclosure Counsel, Municipal Advisor, Rating Fees, Title Insurance)
- Annual Debt Service: \$6,400,000 (based on rates as of October 2, 2020 + 0.50%)
- Total Debt Service: \$194,900,000

# Documents to be Approved

---

- Site Lease
- Lease Agreement
- Assignment Agreement
- Indenture of Trust
- Official Statement
- Bond Purchase Agreement
- Continuing Disclosure Certificate

## Next Steps

---

- October 14/15: Post Preliminary Official Statement
- Week of October 26: Price Bonds
- Week of November 2 or 9: Close Bonds

# Recommendation

## City

- Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the “Bonds”) to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve the Financing Team that implements the issuance of the Bonds, and Authorize the City Manager or the Finance Director to Execute all Documents related to the issuance of the Bonds and retaining the Financing Team.

## Financing Authority

- Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the “Bonds”) to Finance the Civic Center Phase I Project in an amount not to exceed \$160 million Including Financing and Closing Costs and Authorize the Executive Director or the Treasurer to Execute all Documents related to the issuance of the Bonds and retaining the Financing Team.