City Council/Public Financing Authority/Successor Agency Meeting

Lease Revenue Bonds, Series 2019

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Agenda

- Review 2000 COPs
- Finance Team Members
- Lease Revenue Bond Refinancing
  - Debt Issuance Structure
  - Estimated Refunding Results
- Bond Documentation
- Debt Issuance Process
- Tonight’s Actions
In 2000, the City issued $9,600,000 Certificates of Participation, Series 2000 (the “2000 COPS”) to fund the construction of the Police Facility.

- The Police Facility is a 3-story building containing 25,163 Square feet owned by the City of San Bruno on land leased from BART.
- The City occupies 80% of the facility and subleases the other 20% to BART.
Review of 2000 COPs

The debt service payments of approximately $650,000 per year are an obligation of the City’s General Fund.

Paid by the Successor Agency, formerly the Redevelopment Agency, from tax revenues, or formerly tax increment revenues, that are included on the Successor Agency’s annual ROPs.

- Recognized Obligation Payment Schedule (ROPs)
- Reimbursement Agreement between the City and the Redevelopment Agency dated December 1, 2000.
Review of 2000 COPs

Presently, the 2000 COPs remaining principal is $5,995,000 that bears interest at a rate of 5.15% to 5.25%.

The February 1, 2019 principal payment of $335,000 will be paid from tax revenues from the FY2018-19 ROPs.

The remaining principal of $5,660,000 is proposed to be refunded.
Finance Team Members

- Bond/Disclosure Counsel – Jones Hall
- Municipal Advisor – Fieldman, Rolapp & Associates
- Bond Underwriter – Prager & Company
- Trustee – MUFG Union Bank
- Rating Agency – Standard & Poor’s
Lease Revenue Bonds, Series 2019
Debt Issuance Structure

Recommended optimal financing structure:

- Issuance of 2019 **Lease Revenue Bonds** (LRBs) secured by the General Fund, but paid from Tax Revenues per the Amended Reimbursement Agreement.

- 2019 LRBs will be paid at the same lien level as the 2000 COPs.
  
  ✔ No Debt Service Reserve Fund
  ✔ Fixed rate
  ✔ A 12-year term – no change from current term
  ✔ Level debt service
Lease Revenue Bonds, Series 2019

Estimated Refunding Results*

It is estimated that the 2019 LRBs will produce net Present Value Savings of **12.0%**.

- Savings well over the GFOA best practices benchmark of 5.0%.
- Based on market rates as of October 30, 2018.
- The average annual reduction in debt service payments will be approximately **$128,000**.
- City’s annual share is approximately **$19,000**.
- Estimated True Interest Cost will be **2.78%**.
- Net Present Value savings over life of indebtedness of **$1.5 Million**.
- Estimated Financing costs of **$239,110**.

*Preliminary, subject to change*
Bond Documentation

Overview of Legal Documents:

- **City Council/Authority/Successor Agency Resolutions** - Authorizes the issuance of the 2019 LRBs and approves the form and authorizes execution of the related financing documents and amended Reimbursement Agreement.

- **Indenture** – between the Authority and MUFG Union Bank, as Trustee, setting forth the terms and provisions relating to the 2019 LRBs.

- **Lease Agreement** – between the Authority and the City, under which the City leases property to the Authority and the Authority leases property back to City.
Bond Documentation

Overview of Legal Documents:

- **Site Lease** – between the City and Authority whereby the City is leasing property to the Authority in consideration of the payment by the Authority of the upfront rental payment.

- **Assignment Agreement** – between the Authority and MUFG Union Bank whereby the Authority assigns lease payments to MUFG Union Bank to pay debt service to bondholders.

- **Amended and Restated Reimbursement Agreement** – the 2000 Reimbursement Agreement between the Successor Agency and the City will be amended to allow the debt service on the 2019 LRBs to become a Recognized Obligation of the Successor Agency.
Debt Issuance Process

Tonight’s Actions:

- Adopt City/Authority/Successor Agency resolutions approving Legal documents.
- Approve Finance Team Members.
- Delegate to the City Manager authority to make any necessary changes to the Legal documents.
Debt Issuance Process

Next Steps:

- Oversight Board Meeting on November 26th.
- Submit letter to Department of Finance requesting approval of Amended Reimbursement Agreement on November 28th.
- Secure an underlying rating from S&P.
- City Council/Authority approve financing documents in February 2019.
- Negotiated Sale of Bonds.
- Close Bonds.
City Council/Authority/Successor Agency

Items: (Tonight’s Items)

Adopt the **City Council Resolution** approving the issuance of the Lease Revenue Bonds, Series 2019, and approving the form of the Indenture, Site Lease, Lease and any other required documents.
City Council/Authority/Successor Agency
Items: (Tonight’s Items)

Adopt the Authority Resolution approving the issuance of the Lease Revenue Bonds, Series 2019, and approving the form of the Indenture, Site Lease, Lease, Assignment Agreement and any other required documents.
City Council/Authority/Successor Agency
Items: (Tonight’s Items)

Adopt the Successor Agency Resolution approving an amendment to the Reimbursement Agreement and requesting approval by the Oversight Board.
Questions