

City Council Agenda Item 12.4
December 10, 2013

City of Santa Rosa

Authorization to Enter into a Private
Placement Lease Financing Related to
the Relocation and New Construction of
Fire Station 5

Agenda

1. Overview

**2. Estimated Construction Costs and
Proposed Financing**

3. Private Placement Lease Financing

**4. Documentation &
Lease/Leaseback Arrangement**

5. Recommendations

1. Overview

Overview

- The Financing Team includes:
 - PFM - City's Financial Advisor
 - Jones Hall - Bond Counsel
 - BBVA Compass - Private Placement Bank

Overview

- In 2002, a Fire Station Location and Deployment Study conducted by FireScope Inc. at the request of Council
 - Study recommended relocation of Fire Station 5 to Fountaingrove Parkway to ensure proper coverage
- In 2009, Council adopted Santa Rosa General Plan 2035
 - Plan recommended the relocation of Fire Station 5 to a new location near Fountaingrove Parkway to better serve the community

Overview

- The usage of Measure O to fund annual debt service payments for Fire Station 5 was proposed and adopted by the Council as part of the FY 2013/14 budget

2. Estimated Construction Costs and Proposed Financing

Estimated Construction Costs

Lowest Bid	\$3,117,000
Other Construction Costs*	\$790,000
Additional Contingency	<u>\$443,000</u>
Total	\$4,350,000

- Lease agreement requires the City to complete Fire Station 5 regardless of cost, so additional funds were identified as contingency

* Inspection and normal contingency

Proposed Financing

- Funding for Fire Station 5:
 - Transfer from other Fire Station Projects \$600,000
 - Fund already appropriated for Station 5 \$150,000
 - Private placement lease financing \$3,600,000
 - Total \$4,350,000
- Unspent funds will be returned to Measure O Fire Department fund balance

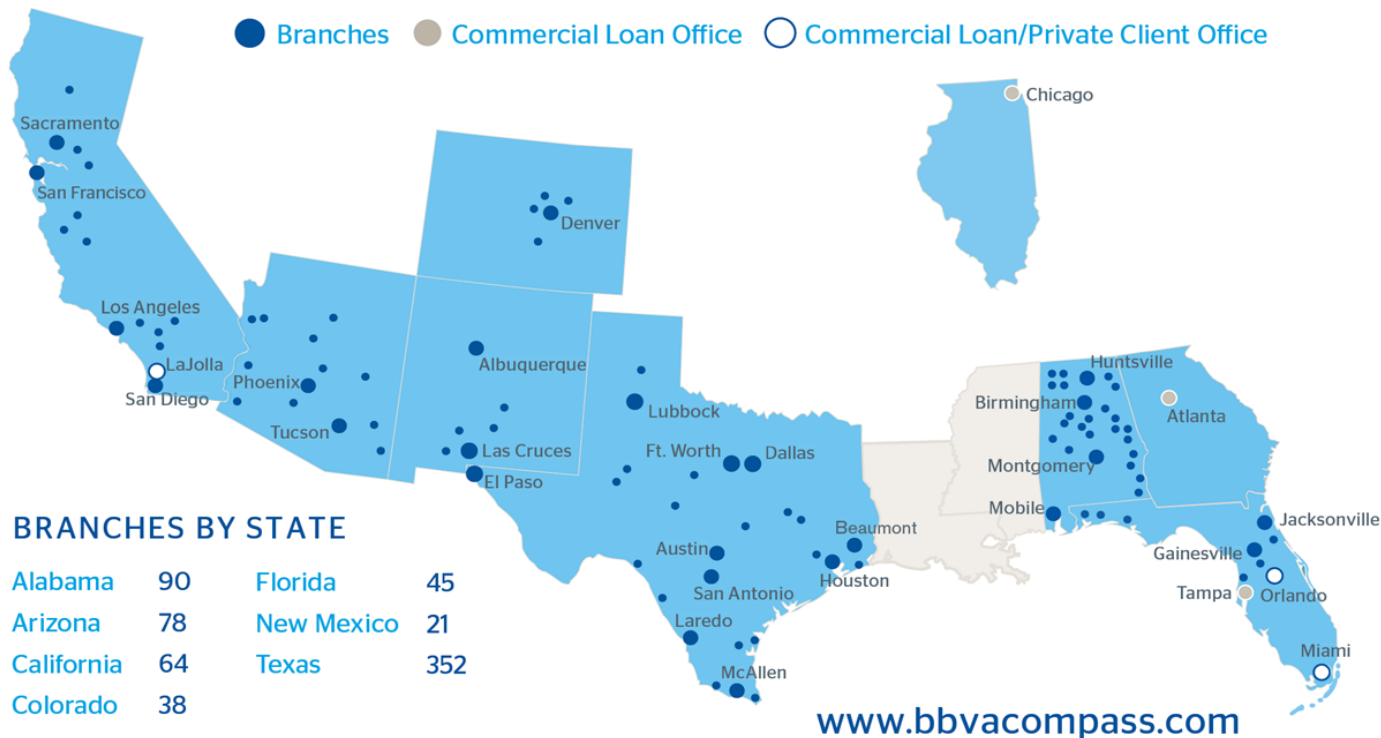
3. Private Placement Lease Financing

Sarah Hollenbeck, PFM

BBVA Compass

- BBVA Compass, headquartered in Alabama, was selected to be the lender on the proposed Fire Station financing
- BBVA Compass is a subsidiary of Banco Bilbao Vizcaya Argentaria (BBVA), a global financial group with a well-diversified international presence
- BBVA Compass ranks among the top 25 largest U.S. banks in deposits

BBVA Compass



\$69.4
Billion
In Assets

\$47.6
Billion
In Loans

\$52.4
Billion
In Deposits

688
Branches

1,296
ATMs

11,133
Employees

Estimated Transaction Costs

Bond Counsel	\$ 32,500
Financial Advisor	\$ 20,000
Title Insurance	\$ 10,000
Bank Counsel and Fees	\$ 12,500
Trustee	\$ 5,000
Public Financing Corporation	\$ 4,000
Contingency	\$ 1,000
Total	\$ 85,000

Estimated Interest Rate

- Estimated closing date is 12/19/2013
- Estimated fixed interest rate is 2.51%
 - \$347,862 annual debt service (FY 2014 - FY 2024)
 - \$260,896 last year debt service (FY 2025)

Estimated Debt Service

FYE	Principal	Interest	Debt Service
6/30/14	\$ 341,198	\$ 6,663	\$ 347,862
6/30/15	\$ 266,077	\$ 81,785	\$ 347,862
6/30/16	\$ 272,959	\$ 74,902	\$ 347,862
6/30/17	\$ 280,020	\$ 67,842	\$ 347,862
6/30/18	\$ 287,263	\$ 60,599	\$ 347,862
6/30/19	\$ 294,693	\$ 53,168	\$ 347,862
6/30/20	\$ 302,316	\$ 45,546	\$ 347,862
6/30/21	\$ 310,136	\$ 37,726	\$ 347,862
6/30/22	\$ 318,158	\$ 29,704	\$ 347,862
6/30/23	\$ 326,387	\$ 21,474	\$ 347,862
6/30/24	\$ 334,830	\$ 13,032	\$ 347,862
6/30/25	\$ 255,963	\$ 4,934	\$ 260,896
Total	\$3,590,000	\$497,375	\$4,087,375

Leased Assets During Construction

Real Property Value

Fire Station 3 3311 Coffey Lane	\$0.97 million
Fire Station 4 1775 Yulupa Avenue	\$0.97 million
Fire Station 5 3480 Parker Hill Road	\$1.13 million
Fire Station 11 550 Lewis Road	<u>\$1.16 million</u>
TOTAL	\$4.23 million

4. Documentation and Lease/Leaseback Arrangement

Bill Madison, Jones Hall

The Resolution

- Approves the Financing of Fire Station 5, within parameters
 - (1) Leased Property consists of 4 Fire Stations
 - Fire Station 3 at 3311 Coffey Lane
 - Fire Station 4 at 1775 Yulupa Avenue
 - Fire Station 5 at Parker Hill Road
 - Fire Station 11 at 550 Lewis Road
 - (2) Principal Amount not to exceed \$3.60 million
 - (3) Term ends June 30, 2025
 - (4) Maximum annual lease payments cannot exceed \$400,000

Approves Certain Documents

- Site Lease
- Lease Agreement
- Custodian Agreement

Authorizes Actions

- Authorizes the City Manager, Chief Financial Officer, City Clerk, and all appropriate officials or their delegates to sign documents and take actions as necessary to effect the purpose of the resolution

Lease/Leaseback Arrangement

- The Financing is structured as a lease/leaseback financing
 - (1) City takes existing assets (4 Fire Stations) and leases them under the Site Lease to Public Property Financing Corporation of California over 12 year term
 - (2) Corporation then leases the fire stations back to the City under the Lease Agreement, in return for the City's promise to make the lease payments and maintain the leased property
 - (3) the Corporation then assigns its right to receive the Lease Payments to the Bank, in return for the Bank's promise to fund the project

Funding The Project

- Funding of the Project is accomplished through the Bank's deposit with U.S. Bank National Association, the Custodian, of funds sufficient to pay the cost of constructing the new fire station and payment of costs of issuance
- Funds are drawn down over time from the Project Fund, held by the Custodian, as needed, to construct the Project

5. Recommendations

Recommendations

It is recommended by the Fire and Finance Departments that the Council, by Resolution,

- (1) Approve documents relating to the financing of Fire Station 5 at 2201 Newgate Court in an amount not to exceed \$3,600,000
- (2) Approve and authorize the execution of related documents by the City Manager, Chief Financial Officer or their respective delegates and actions with respect thereto

6. Questions