

Bond Financing Example

*Process from concept to completion of the City of Campbell
Civic Center Project Financing – Measure O*

Introduction of Presenters



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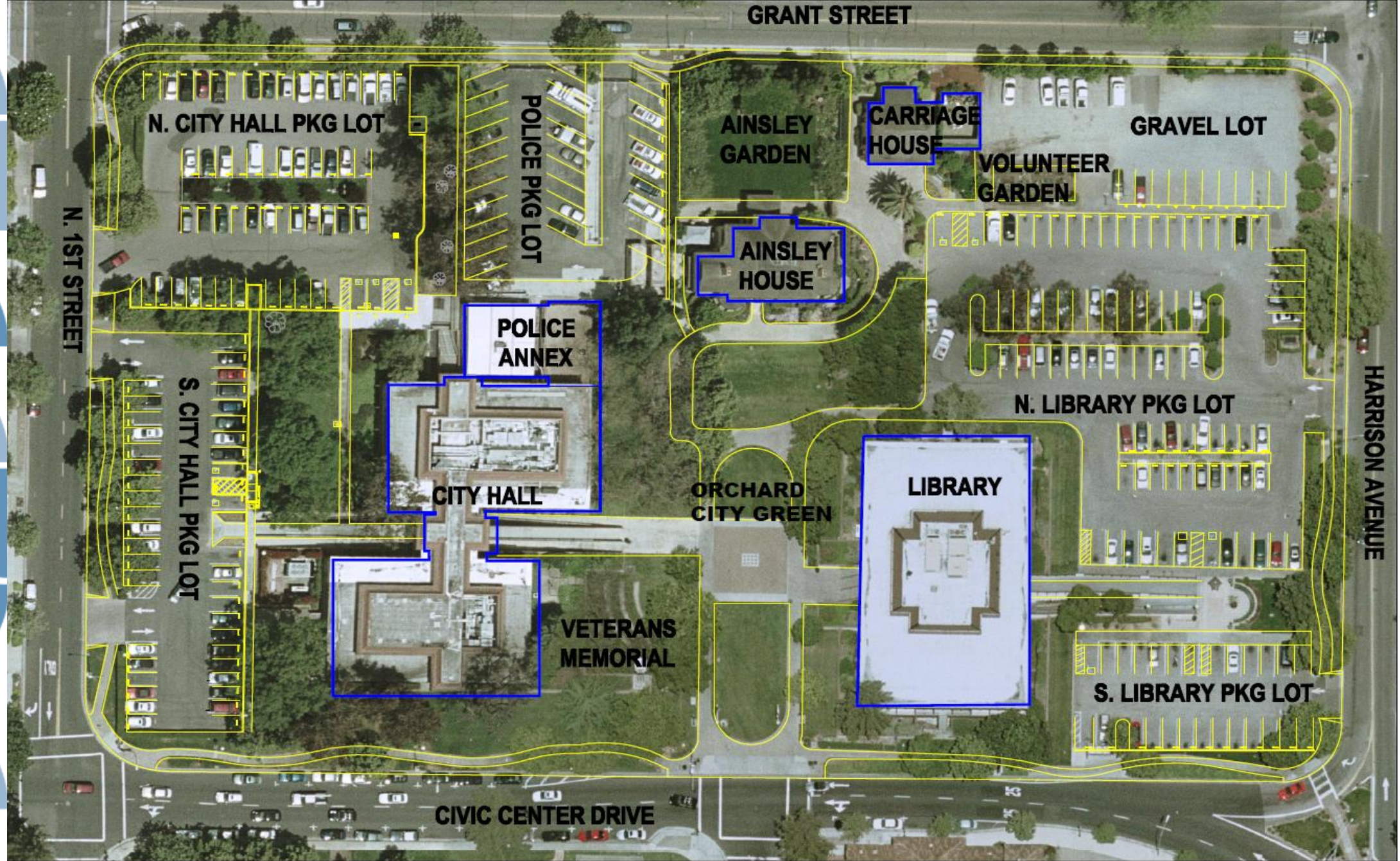


Section 1: The Project



Civic Center Facilities & Deficiencies

- ▶ Existing City Facilities constructed in early 1970's
- ▶ Police Department working out of City Hall and modular unit
- ▶ Library Building - structural, mechanical, accessibility issues
 - ▶ Water, Lighting, Elevators, Ramps, Inefficient Use of Space
- ▶ City Hall – structural, mechanical issues



CIVIC CENTER COMPLEX



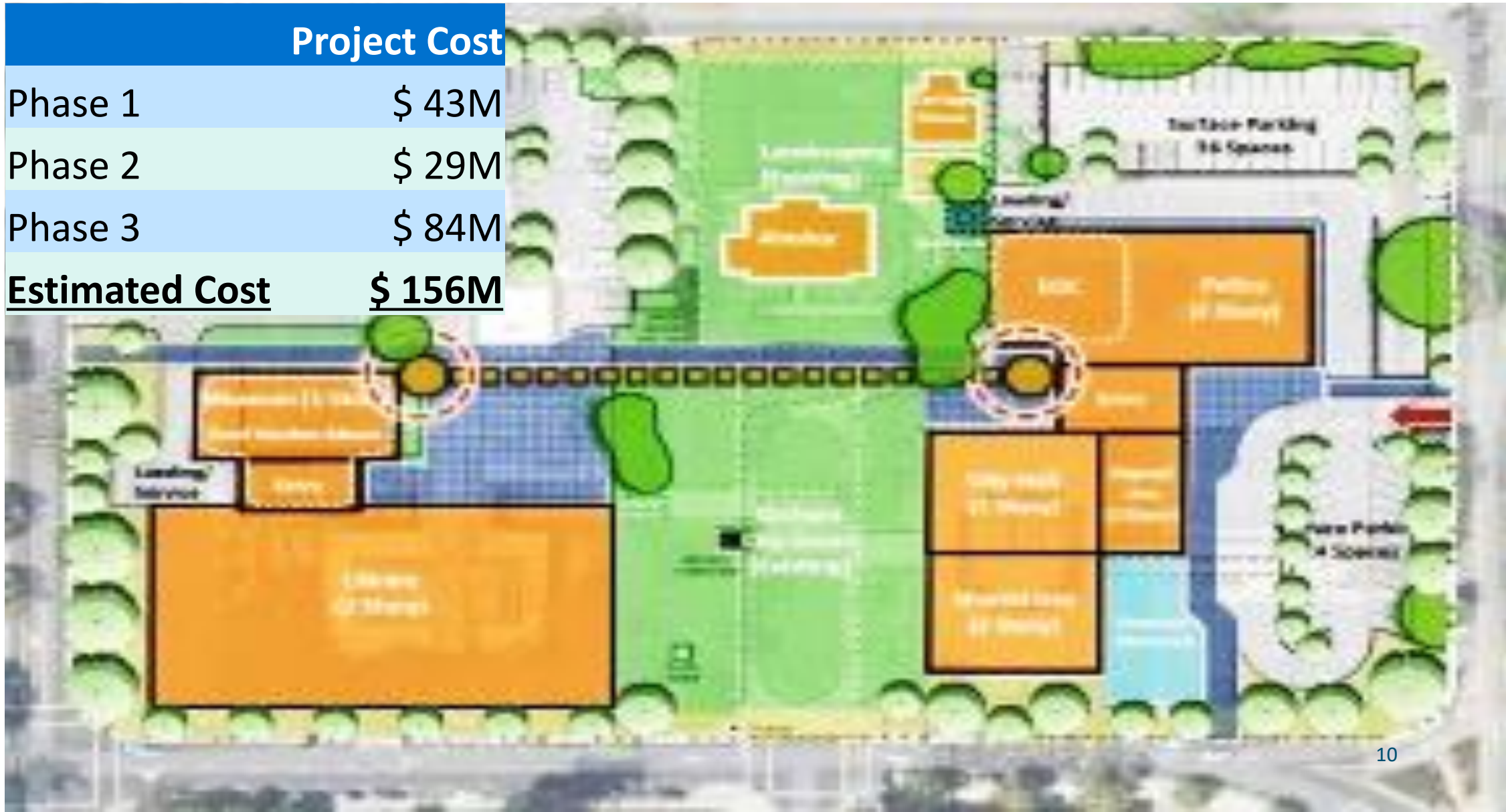






Initial Design Concept

Project Cost	
Phase 1	\$ 43M
Phase 2	\$ 29M
Phase 3	\$ 84M
<u>Estimated Cost</u>	<u>\$ 156M</u>



Evolution of the Project

Initial Estimates \$156M
City Council Directs Staff
to \$50M Target

Library & Police
Building Priority

Alternate Project
Delivery Methods
considered

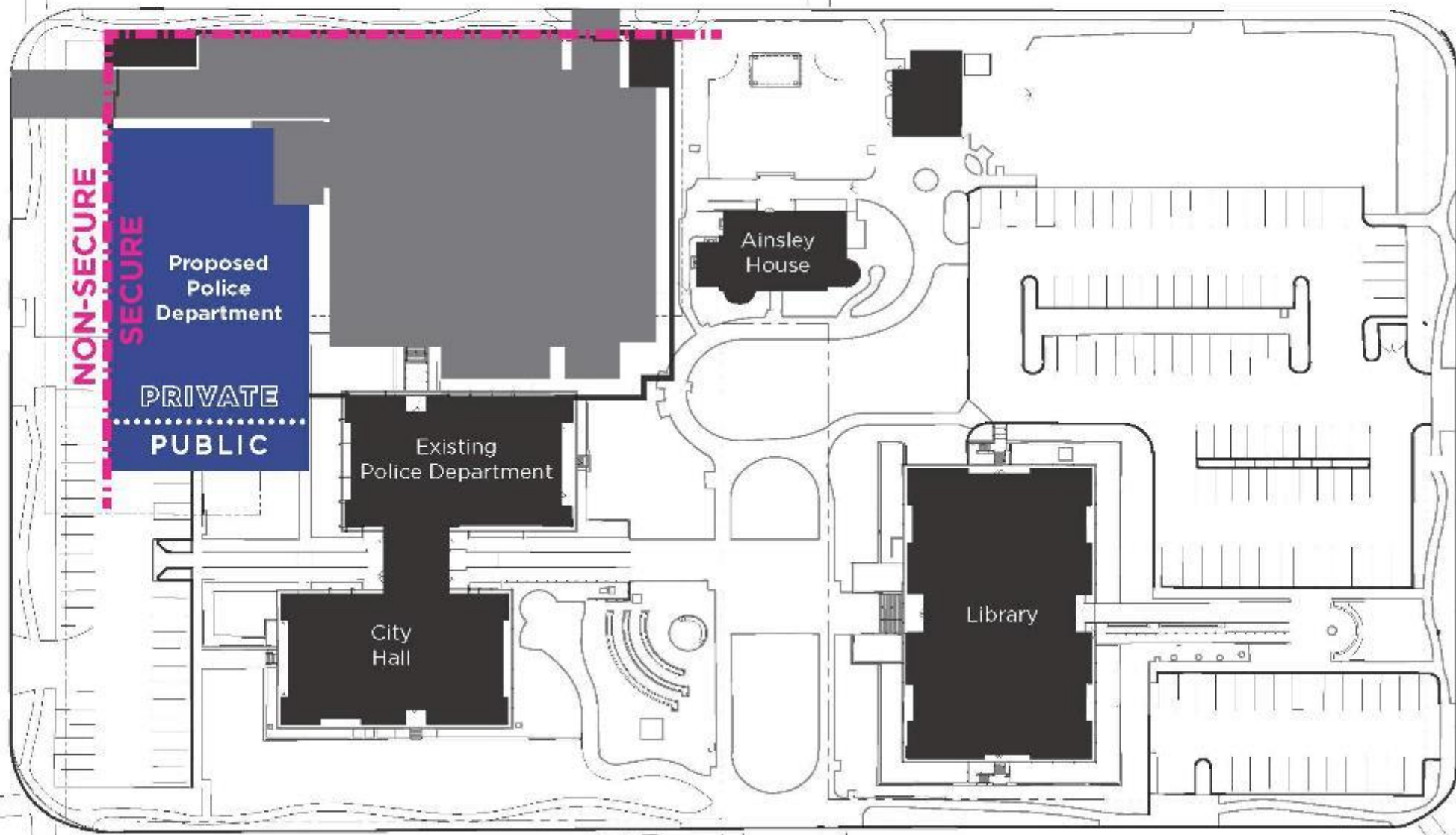
Refined Project
Removes City Hall
Component

New Designs &
Cost Estimates
(Iterations)



Revised Project Scope - \$50M

- ▶ Construct new Police Operations Building
- ▶ Complete Renovation of Library Building
- ▶ Renovation of existing PD space in City Hall for:
 - ▶ Support Services
 - ▶ Evidence Storage
- ▶ Site Improvements:
 - ▶ Parking
 - ▶ Access and Lighting













Campbell
LIBRARY

77 Harrison St.





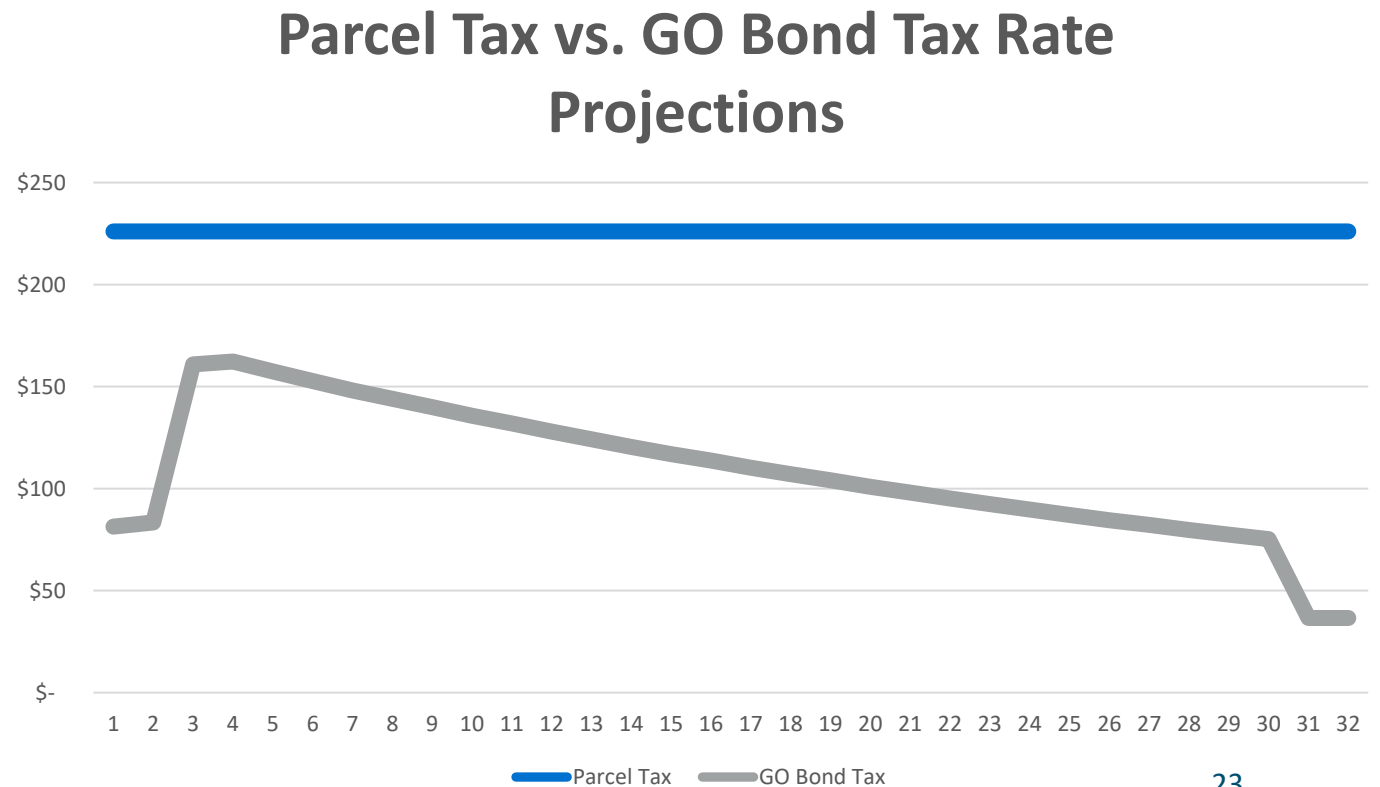


Section 2: Community Support



Parcel Tax or General Obligation Bonds

- ▶ Parcel Tax Concept = Balanced Tax on Similar Properties
 - ▶ ~\$225/Home
- ▶ GO Bond Concept = Tax Based on Assessed Value
 - ▶ ~\$108/year average
 - ▶ Year 1 - \$168 declining to \$36

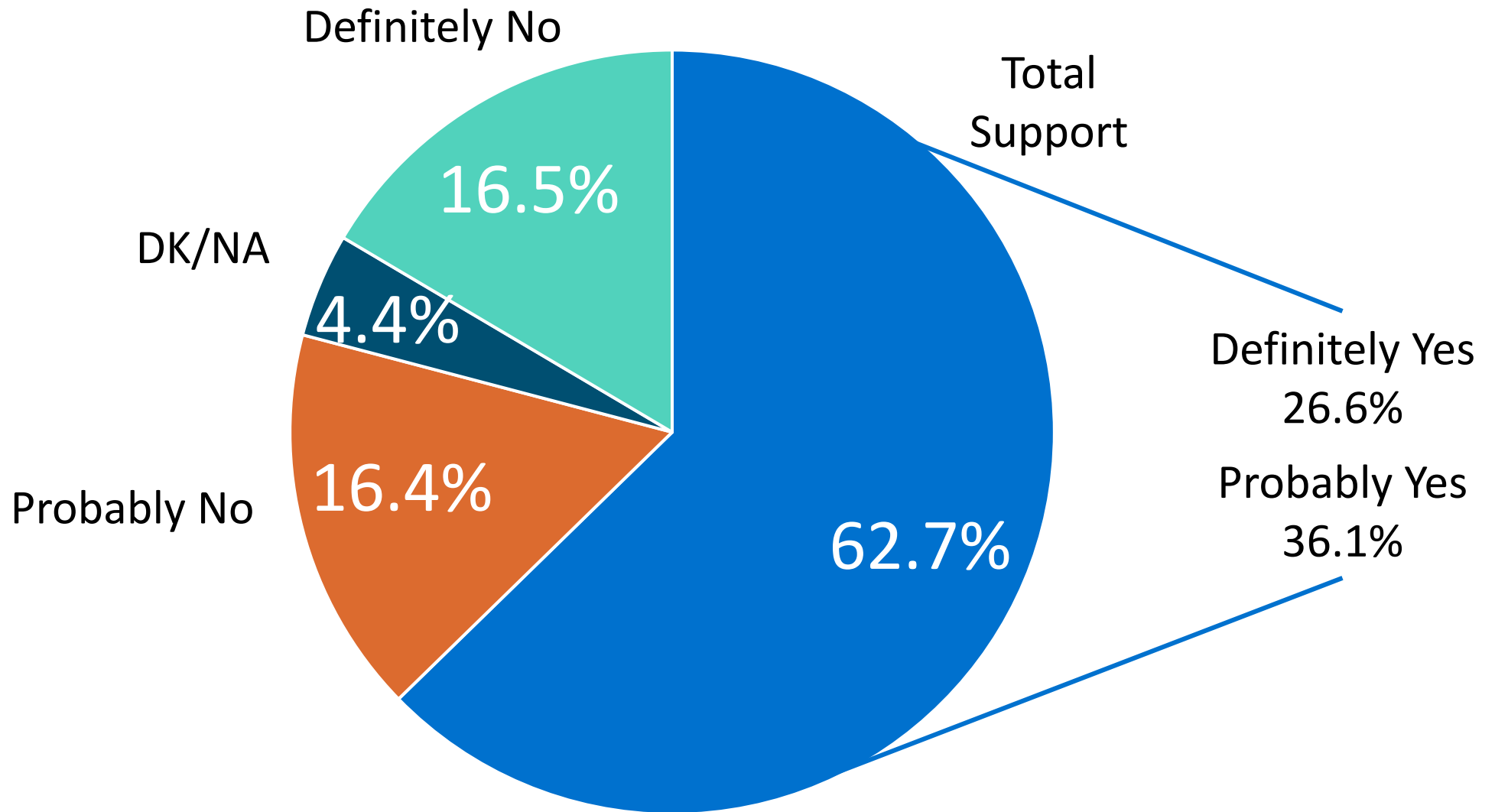




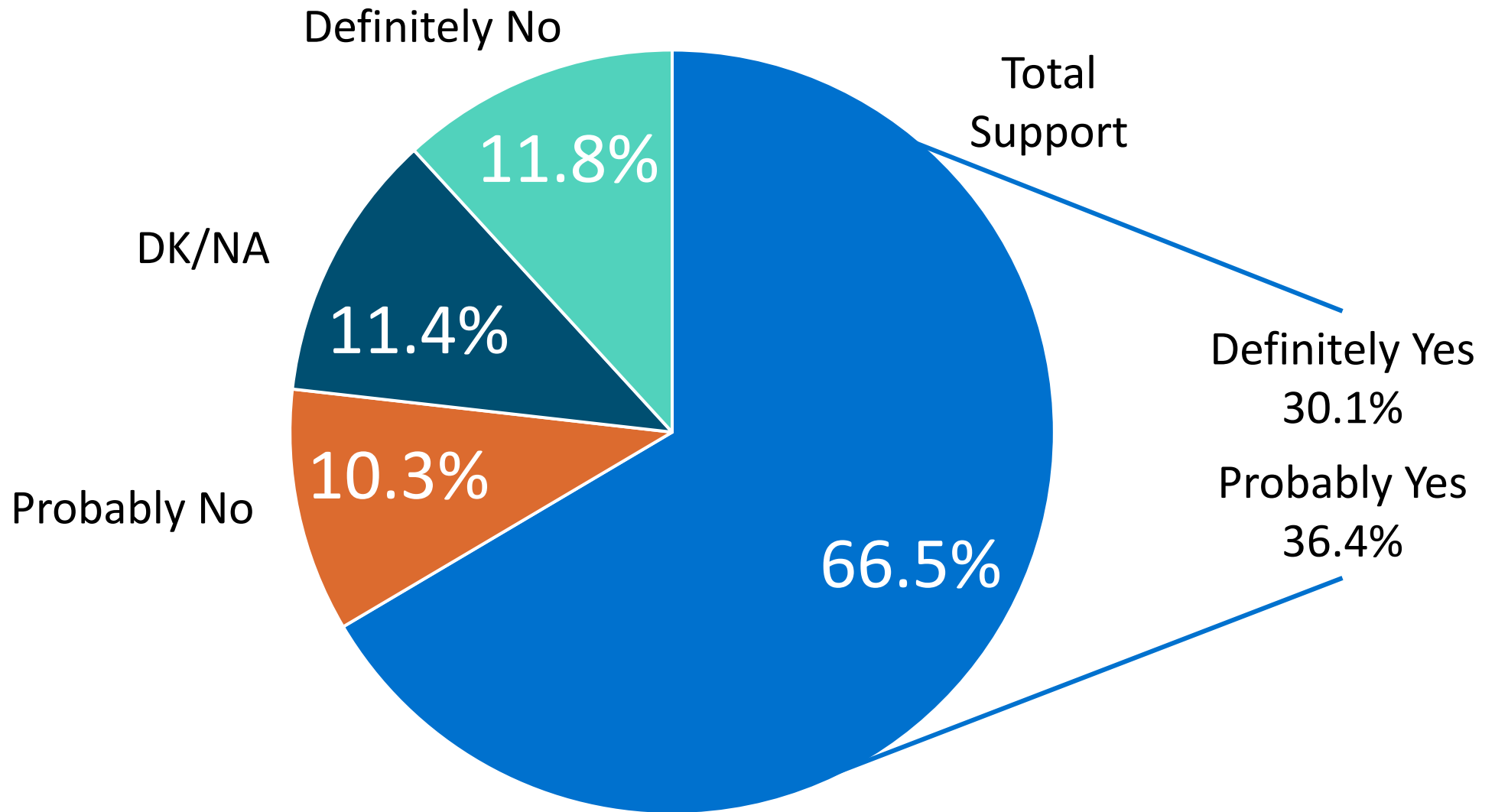
2018 Poll Results

- ▶ City polled \$20M, \$40M, and \$60M Projects
 - ▶ Tested projected tax burden for each
- ▶ Consensus by City Council was \$50M Project
 - ▶ Provided greatest amount for Project with highest tax tolerance capable of still achieving 2/3rds voter approval

Uninformed Support for Hybrid Parcel Tax



Uninformed Support for GO Bond Measure

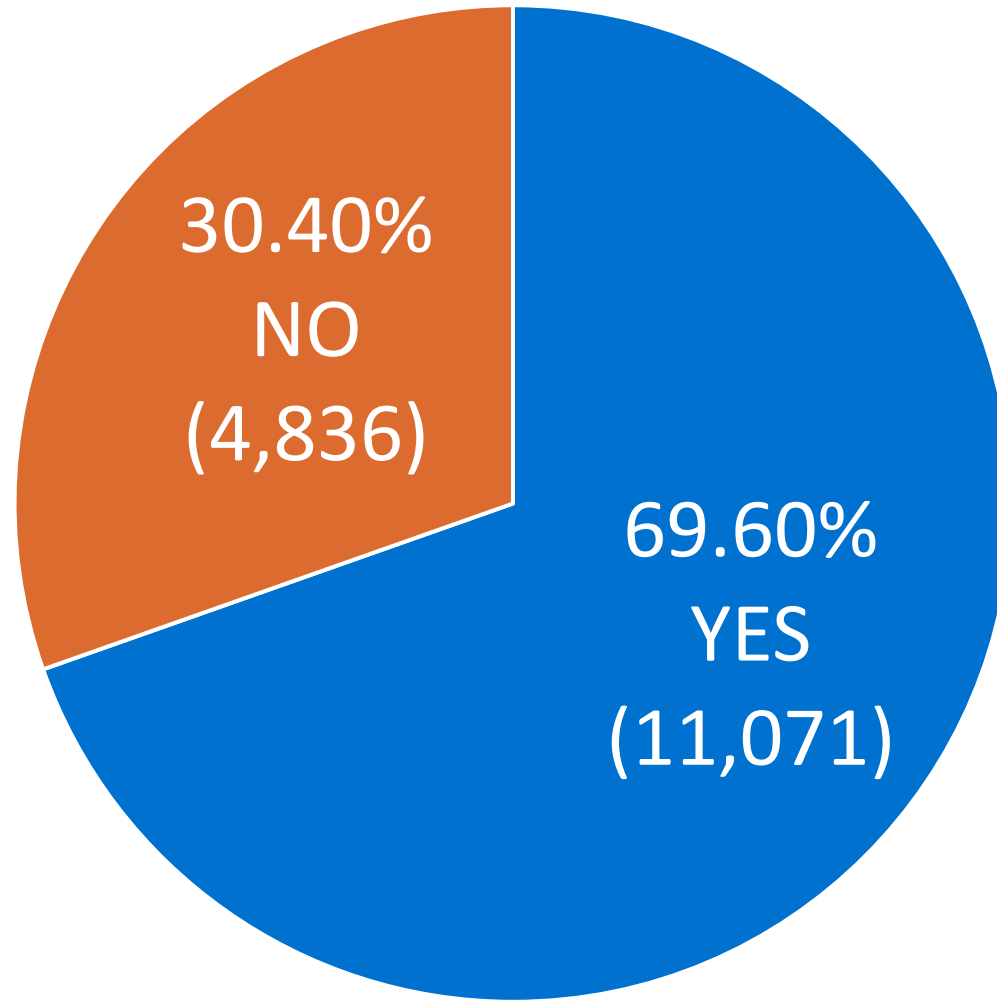




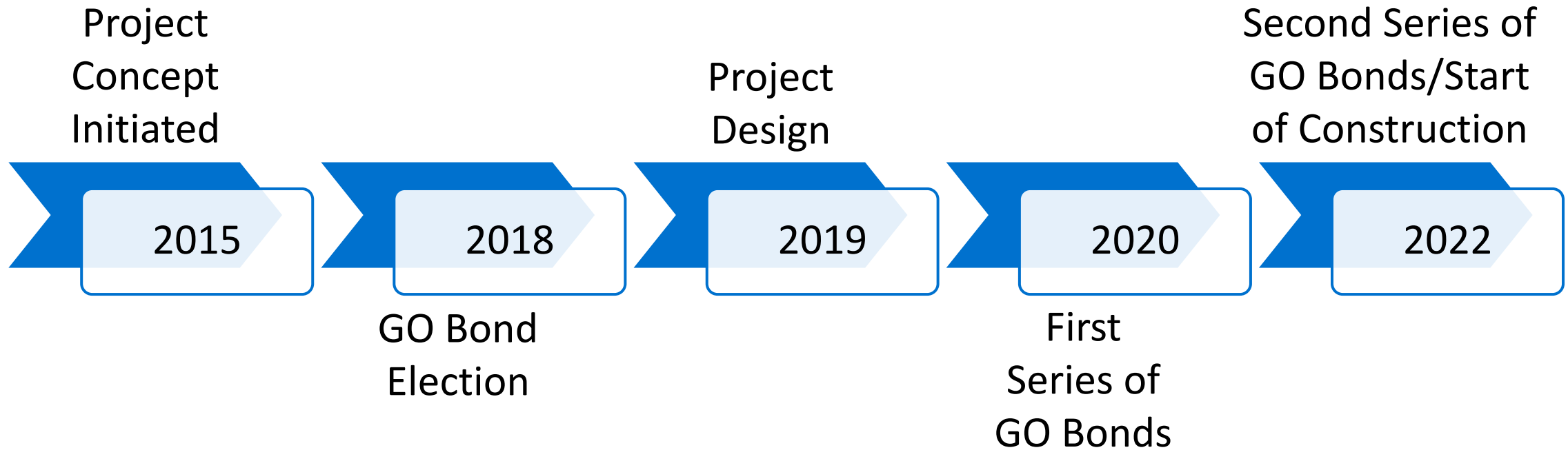
Why General Obligation Bond?

- ▶ Polling results indicated a higher change of success given:
 - ▶ Project
 - ▶ Tax Burden on Residents and Property Owners
- ▶ Downside
 - ▶ GO Bond proceeds can only cover construction costs
 - ▶ No Furniture, Fixtures and Equipment
 - ▶ Annual tax revenues can only be applied towards bond debt service

2018 Measure O GO Bond Election Results



Project Timeline





Section 3: Bond Issuance Process



Overview of Bond Sale Process

- ▶ Assemble the Financing Team
 - ▶ Bond/Disclosure Counsel
 - ▶ Municipal Advisor
 - ▶ Underwriter
 - ▶ Negotiated Bond Sale vs. Competitive Bond Sale
- ▶ Determine Bond Terms
 - ▶ Length of Maturity
 - ▶ Interest Rates
 - ▶ Principal Amortization



Bond Financing Documentation

- ▶ Bond & Disclosure Documents
 - ▶ Resolution
 - ▶ Notice of Sale or Bond Purchase Agreement
 - ▶ Preliminary and Final Official Statement

Bond Financing Approvals

► Bond Credit Rating Process

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: "AAA"
See "RATING".

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS – Tax Exemption."

\$30,000,000
CITY OF CAMPBELL
ELECTION OF 2018 GENERAL OBLIGATION BONDS,
SERIES 2022

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

Authority and Purpose. The captioned Election of 2018 General Obligation Bonds, Series 2022 (the "Bonds"), are being issued by the City of Campbell (the "City") pursuant to certain provisions of the California Government Code and resolutions of the City Council of the City adopted on May 17, 2022. The Bonds were authorized at an election of the registered voters of the City held on November 6, 2018, which authorized the issuance of general obligation bonds for the purpose of financing the acquisition and improvement of a police emergency operations center and a public library. The initial series of bonds under the 2018 authorization was issued in 2020. See "THE BONDS – Authority for Issuance" and "THE FINANCING PLAN" herein.

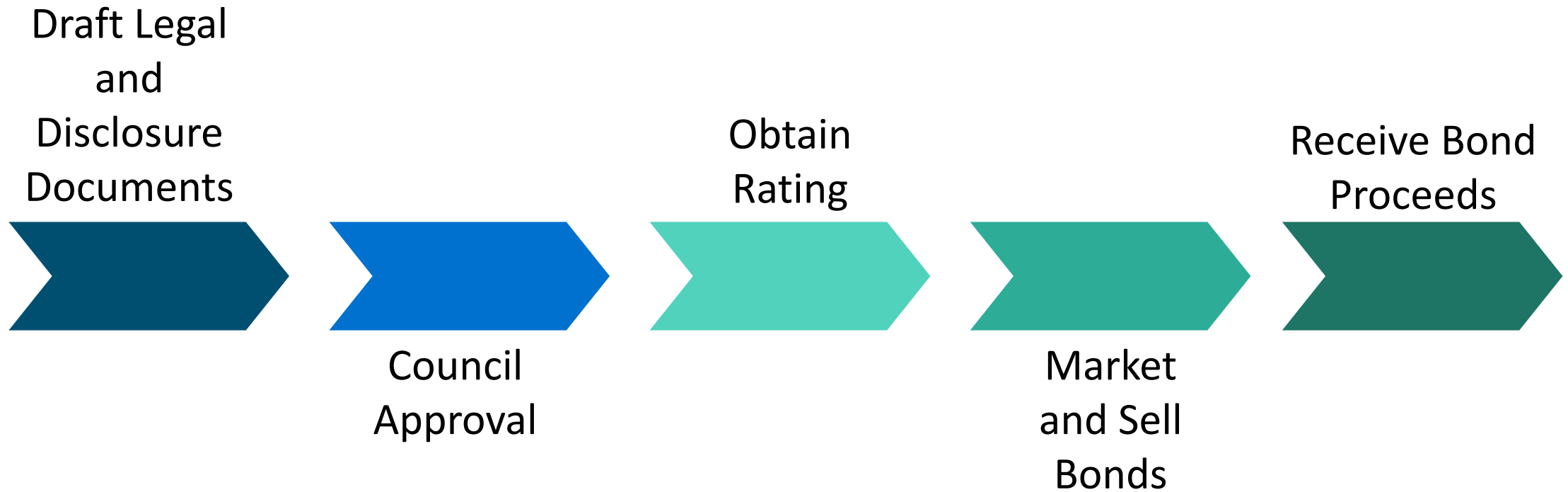
► City Council Approval



Bond Sale Process

- ▶ Release POS and Market Bonds
 - ▶ Underwriter markets to potential investors
- ▶ Bond Sale (Set Interest Rates)
 - ▶ All bonds sold to Underwriter
- ▶ Finalize Bond Documents
- ▶ Fund Project Fund

Issuance Timeline



Measure O GO Bond Program Budget

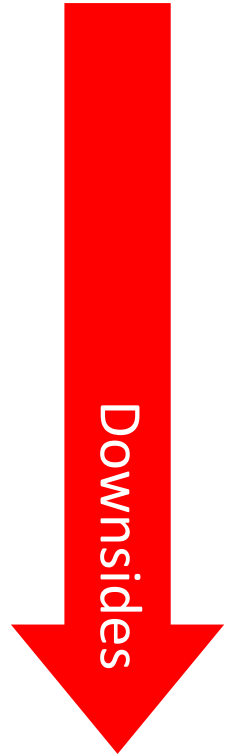
	2020 Series A		2022 Series B		Total	
Bond Amount	\$	20,000,000	\$	30,000,000	\$	50,000,000
Financing Costs	\$	275,000	\$	310,000	\$	585,000
Project Fund	\$	19,725,000	\$	29,690,000	\$	49,415,000
Total Uses	\$	20,000,000	\$	30,000,000	\$	50,000,000

Strategy Behind Multiple Series



- “Dollar cost averaging the TIC”
- Ease in property tax increases as construction happens
- Federal tax law considerations

- Higher cost of issuance
- Greater interest rate risk





Ongoing City Responsibilities (Post Bond Closing)

- ▶ Expenditure of Bond Proceeds
- ▶ Annual Tax Rate Approval
 - ▶ Ad Valorem Property Tax used only for Bond Debt Service
- ▶ Annual Continuing Disclosure Filing



Lessons Learned???



Lessons Learned

- ▶ Never too early to start planning!
- ▶ Manage Council expectations – Dreams vs. Reality
- ▶ Design project to fixed dollar amount vs. funding the desired project
- ▶ Bring in Project Management resources early
- ▶ Creative financing structures that died
- ▶ Significant difference in cost of funds
 - ▶ Issued at historical low in 2020
 - ▶ Should have pushed for doing more at that time and less when rates were back up



Questions?