

SESSION TWO

Overview of a Debt Issuance



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City of Gilroy



Meet Gilroy

The “Garlic Capital of the World”



Santa Clara County

Southern Silicon Valley, California

~60,000 residents

A growing community

Mostly residential

tax base, with commercial growth

A History of Building for the Community

CIVIC FACILITIES



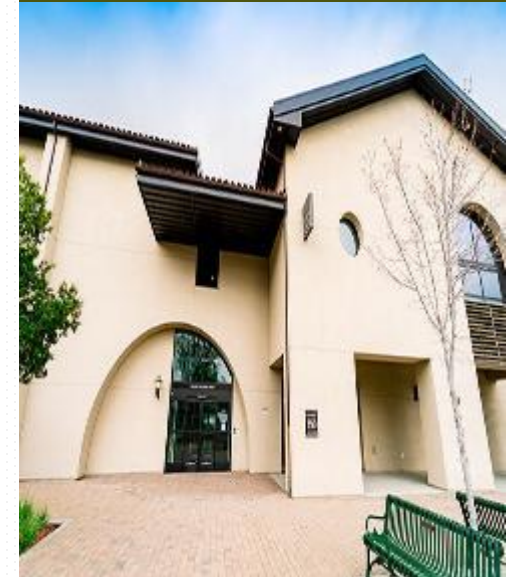
INFRASTRUCTURE



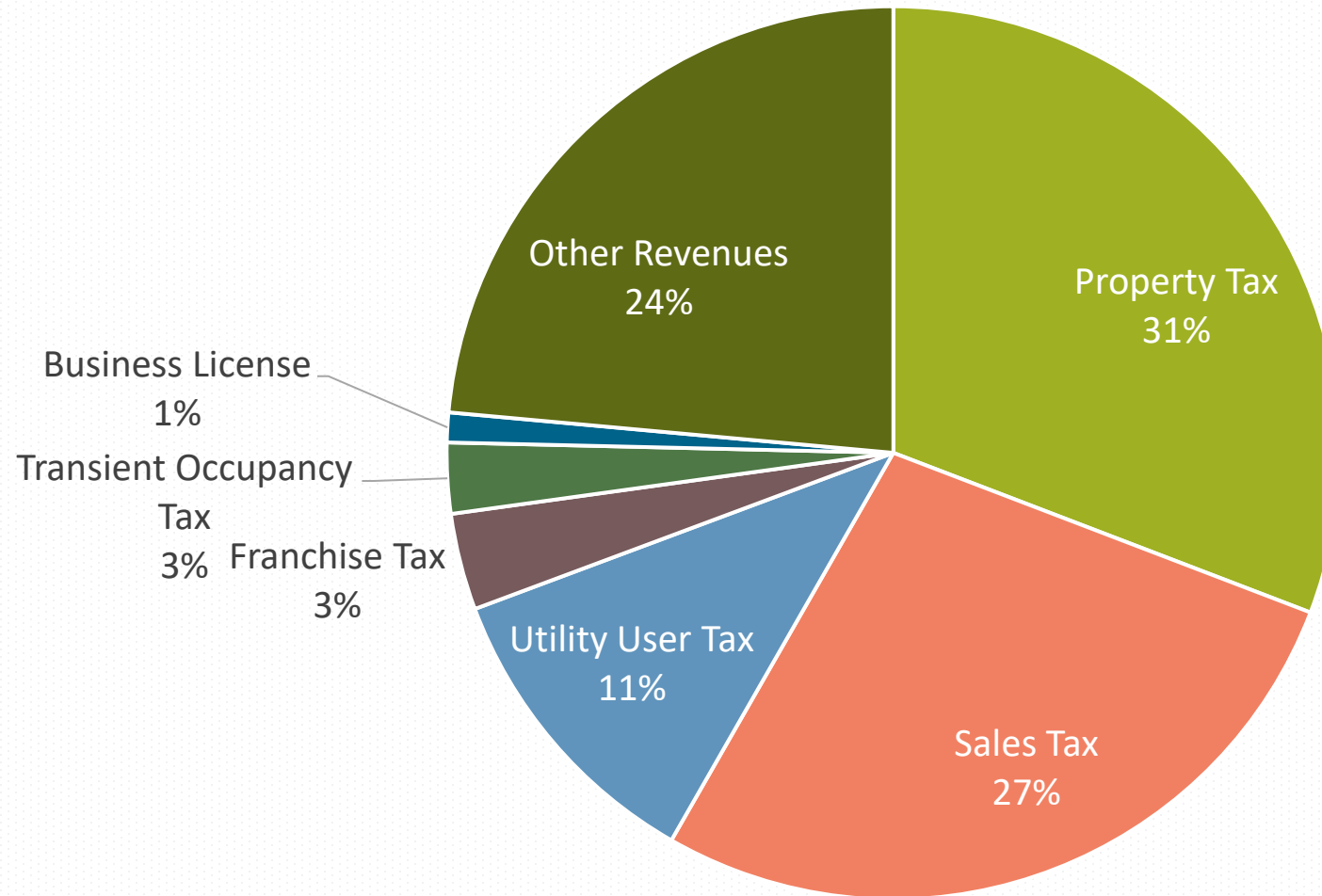
PARKS & RECREATION



THE LIBRARY

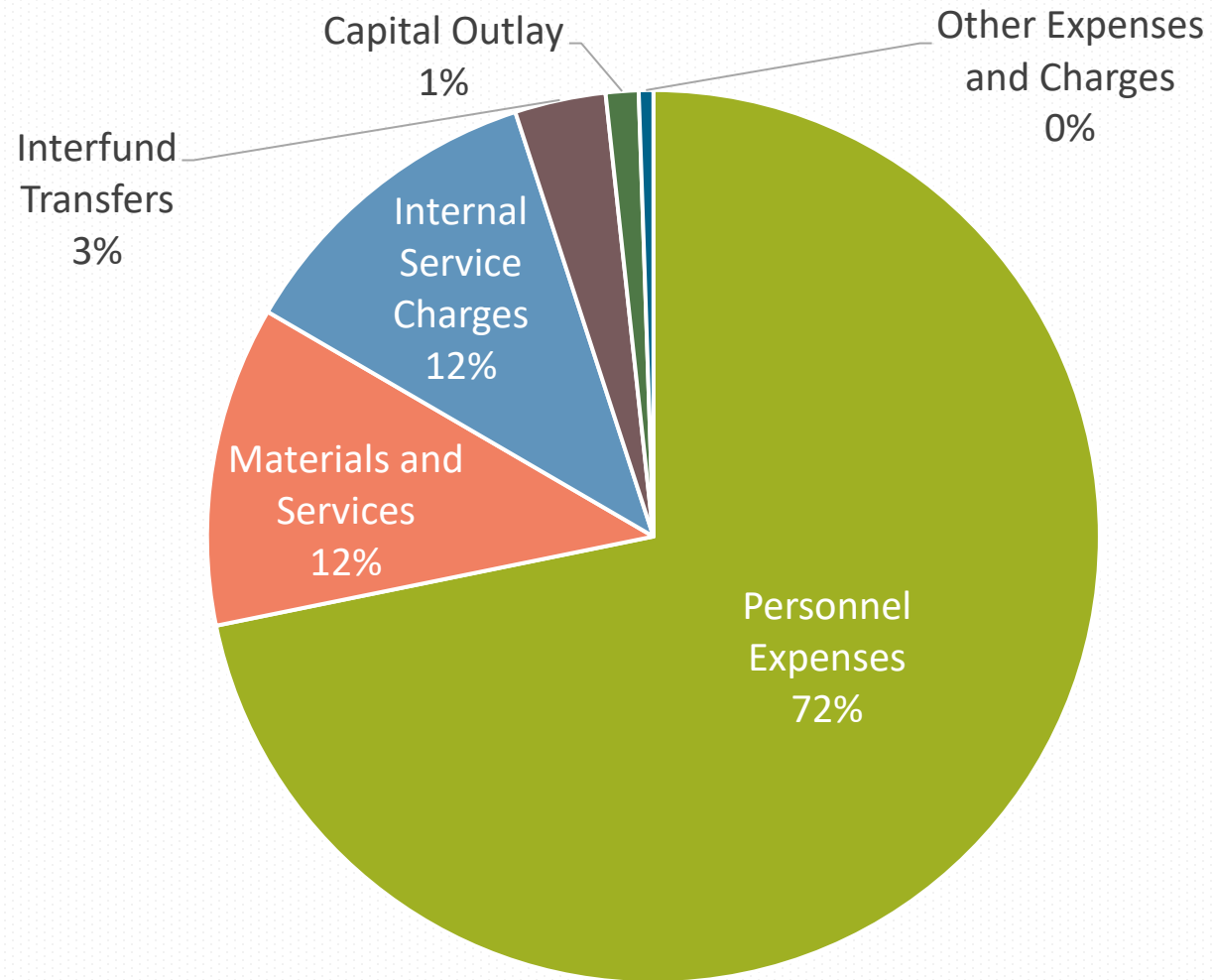


General Fund Sources - \$74M



Key: Over 75% consists of Tax Revenues

General Fund Uses - \$76M



Key: Primarily allocated for service delivery – Public Safety (Police and Fire), very little for Capital Outlay -1%

Generational Equity

*Useful Life of Asset
Being Financed*



Pay-Go / Cash Funded Scenario

Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✗	✗	✗	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

10-Yr Financing Scenario

Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✓	✗	✗	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

30-Yr Financing Scenario

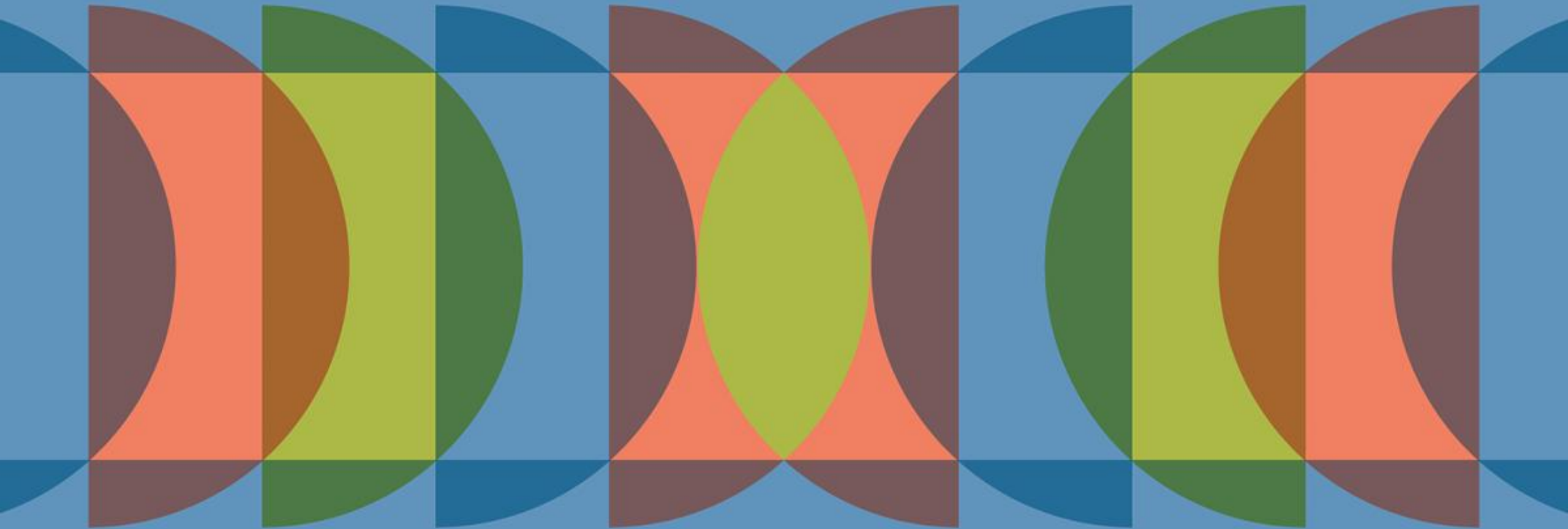
Year	0	10	20	30	40	50
Ratepayers Paying for Project	✓	✓	✓	✓	✗	✗
Ratepayers Enjoying Benefit	✓	✓	✓	✓	✓	✓

**Capital Improvement Program Summary
Budget by Project Category
FY24 - FY28**

By Project Category	Proposed FY24	Proposed FY25	Forecast FY26	Forecast FY27	Forecast FY28	5-Year Total	Percent
Streets	\$ 8,211,209	\$ 14,928,516	\$ 35,836,262	\$ 4,532,150	\$ 4,606,649	\$ 68,114,786	32%
Utilities	27,870,195	23,174,640	13,966,858	8,775,431	13,584,914	87,372,038	42%
Public Facilities	6,062,498	3,017,900	211,900	71,100	-	9,363,398	4%
Engineering	18,126,539	17,144,011	750,706	3,193,777	119,354	39,334,387	19%
Parks and Trails	1,201,379	4,340,971	350,000	350,000	350,000	6,592,350	3%
Utilities>Water	7,156,527	17,092,802	7,683,280	4,677,221	6,277,467	42,887,297	49%
Utilities>Wastewater	20,687,069	6,081,838	5,996,878	4,098,210	6,925,611	43,789,606	50%
Utilities>Storm Drain	26,599	-	286,700	-	381,836	695,135	1%
Total All Projects	\$ 61,471,820	\$ 62,606,038	\$ 51,115,726	\$ 16,922,458	\$ 18,660,917	\$ 210,776,959	100%

Capital Improvement Program Summary
Budget by Funding Source
FY24 - FY28

By Funding Source	Proposed FY24	Proposed FY25	Forecast FY26	Forecast FY27	Forecast FY28	5-Year Total	Percent
100 - General Fund	\$ 2,047,800	\$ 1,950,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 5,047,800	2%
200 - Sidewalk Repair Reserve	500,000	500,000	500,000	500,000	500,000	2,500,000	1%
205 - Gas Taxes	1,034,120	1,191,573	903,493	872,200	890,810	4,892,196	2%
210 - Road Funds	1,482,596	1,527,074	1,565,251	1,604,382	1,644,492	7,823,795	4%
212 - Measure B	900,000	4,500,000	4,950,000	900,000	900,000	12,150,000	6%
215 - Transportation/ Mobility Grai	402,600	1,399,153	-	-	-	1,801,753	1%
220 - Vehicle Registration Fee	230,000	240,500	491,525	555,568	571,347	2,088,940	1%
245 - CDBG	261,950	99,500	311,900	100,000	100,000	873,350	0.4%
400 - Capital Projects	1,284,805	2,673,571	-	-	-	3,958,376	1.9%
410 - Storm Drain Development In	231,827	230,811	631,506	605,477	501,190	2,200,811	1%
415 - Utility Undergrounding	-	-	405,900	2,588,300	-	2,994,200	1%
425 - Traffic Impact	2,913,050	8,660,209	27,325,993	-	-	38,899,252	18%
430 - Sewer Development Impact	1,100,226	1,411,972	1,341,170	1,941,401	4,086,062	9,880,831	5%
435 - Water Development Impact	3,550,800	-	-	2,885,454	3,029,726	9,465,980	4%
440 - Public Facilities Impact	13,888,793	13,441,107	-	-	-	27,329,900	13%
487 - Downtown Beautification	3,582,765	-	-	-	-	3,582,765	2%
615 - Facilities	682,200	517,900	-	71,100	-	1,271,200	0.60%
625 - Equipment Outlay	4,185,718	2,500,000	-	-	-	6,685,718	3%
700 - Sewer	19,586,843	4,669,866	4,655,708	2,156,809	2,839,549	33,908,775	16%
705 - Water	3,605,727	17,092,802	7,683,280	1,791,767	3,247,741	33,421,317	16%
Total All Projects	\$ 61,471,820	\$ 62,606,038	\$ 51,115,726	\$ 16,922,458	\$ 18,660,917	\$ 210,776,959	100%



CASE STUDY: MAIN LIBRARY

Why the Old Gilroy Library Had to Go

*An engineering study found the building impractical to fix.
Renovation would have cost more than building new*



Severe Overcrowding

4×

Population quadrupled while the Library's collection increased beyond capacity



Structural & Seismic Risk

1975

Mid-1970s concrete failed modern California seismic codes and retrofit was cost-prohibitive

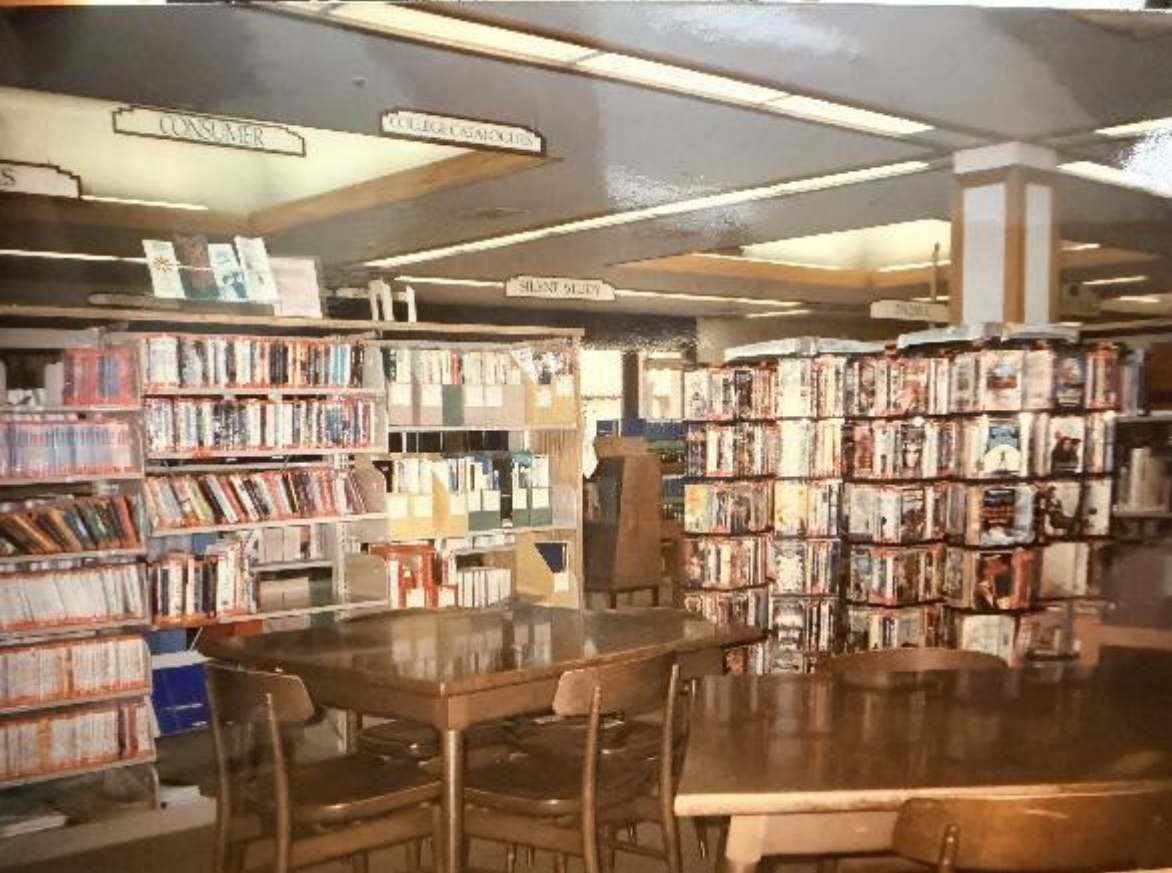


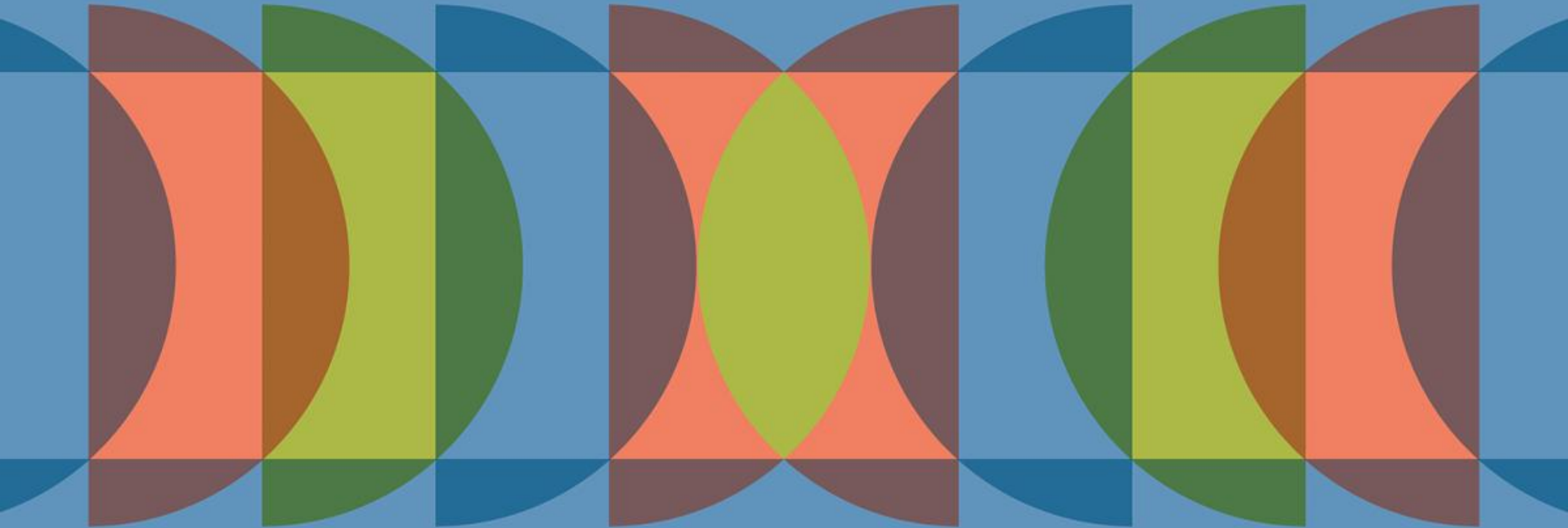
Outdated Infrastructure

Pre-Digital

Antiquated electrical, technology, and plumbing systems did not support modern library services or flexible community spaces







HOW DO WE PAY FOR IT?

The Options



Pay-Go



Lease
Revenue
Bond



Parcel Tax

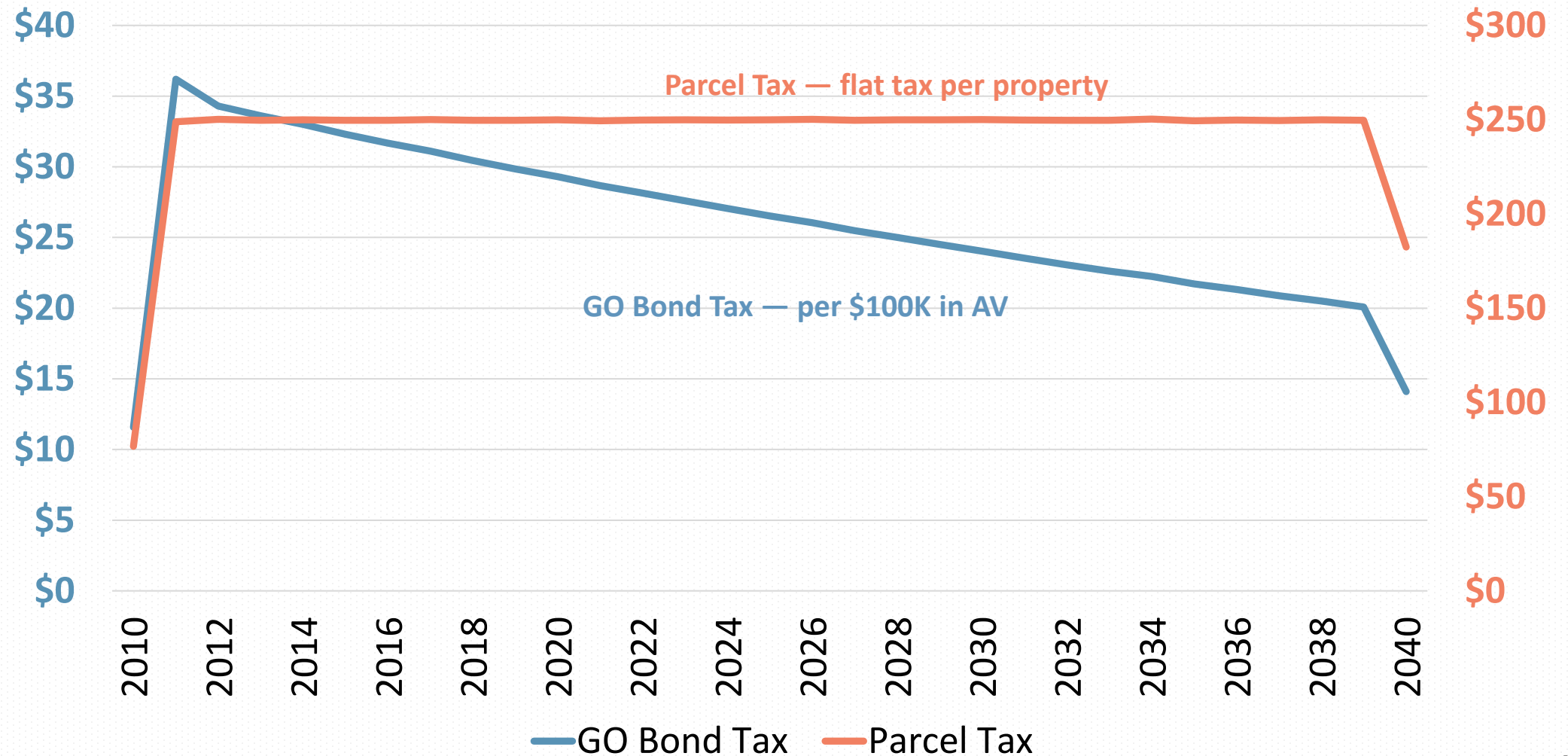


GO Bond



State Grants

Parcel Tax vs. GO Bond Tax Rate Projections





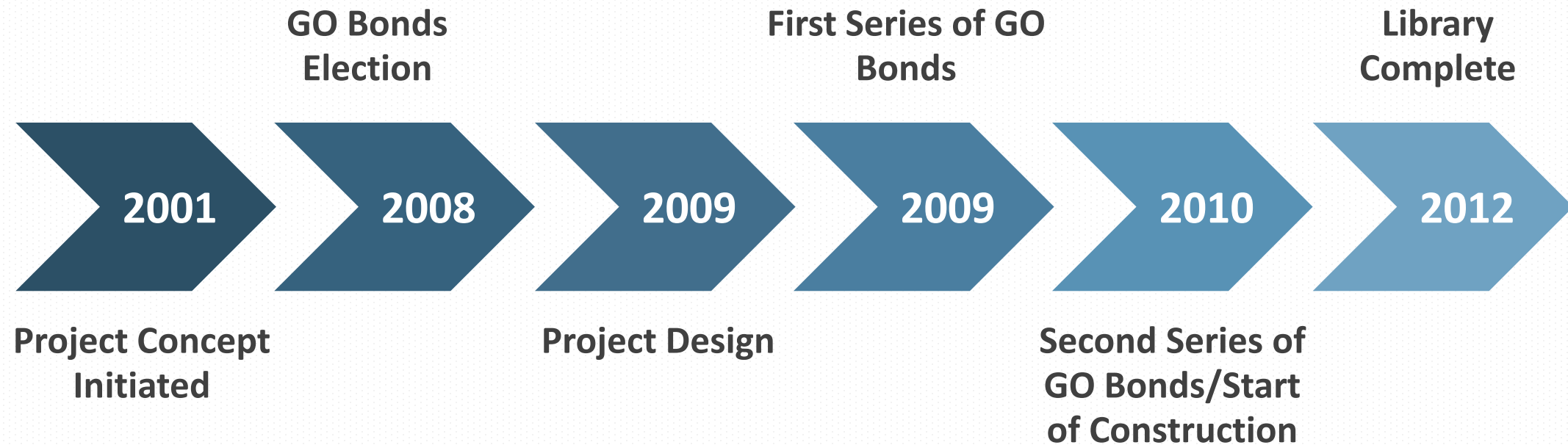
Gilroy Voted Yes

69%

approved the library bond

Clearing the two-thirds threshold required to pass.

Project Timeline



Years of planning finally pay off

After state funds fall through, community bands together to fund the \$37 million facility

BY CARLY GELSINGER
Staff Writer

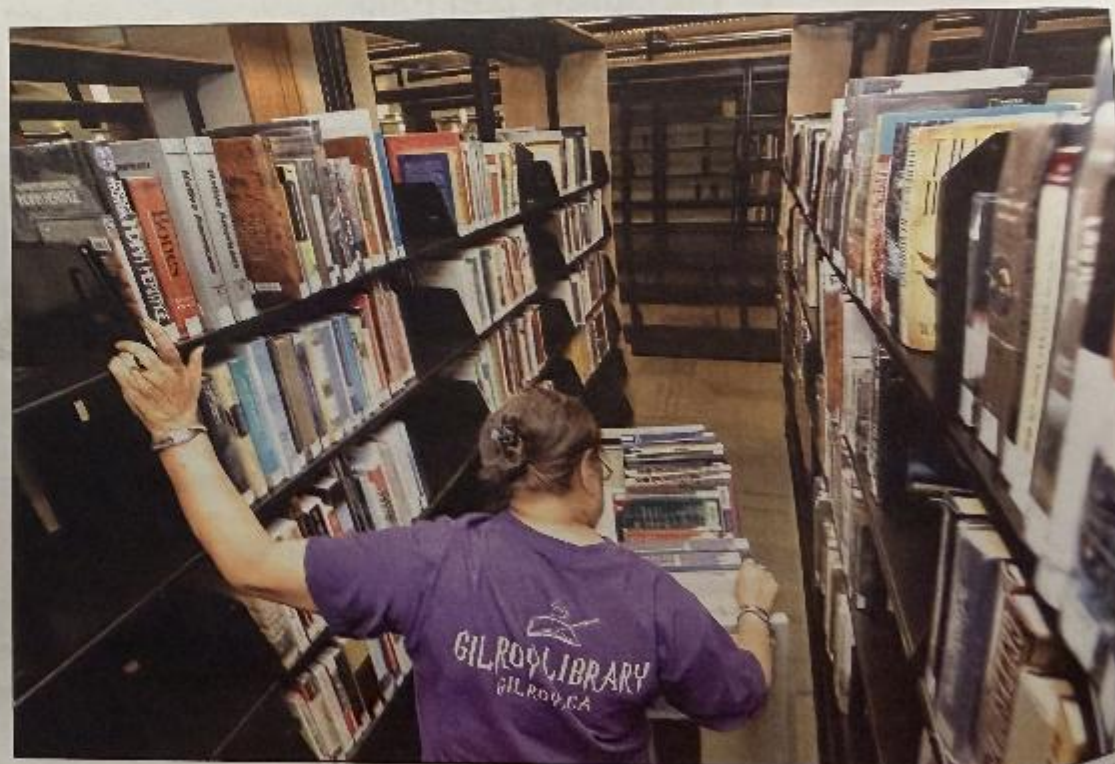
After more than 15 years of planning, the day that seemed as if it never would arrive is finally here: Gilroy's state-of-the-art new library will open its doors to the public on Saturday.

"The day we've worked for all these years is finally here," said Head Librarian Lani Yoshimura.

Excitement continues to mount in the new building. An elevator got last-minute checkups by a maintenance crew, while a computer technician fussed with the wires behind a copy machine. Library staff bantered with each other as they frantically shelved huge boxes of books. Yoshimura has been working 14-hour days to make sure everything comes together perfectly in time for the grand opening.

What is now a two-story, \$37 million, 53,000-square-foot public library that Yoshimura said could draw upward of 2,000 patrons per day, began in 1997 as a grassroots movement from community members who were committed to building a new library.

Built in 1975, the former 12,500-square-



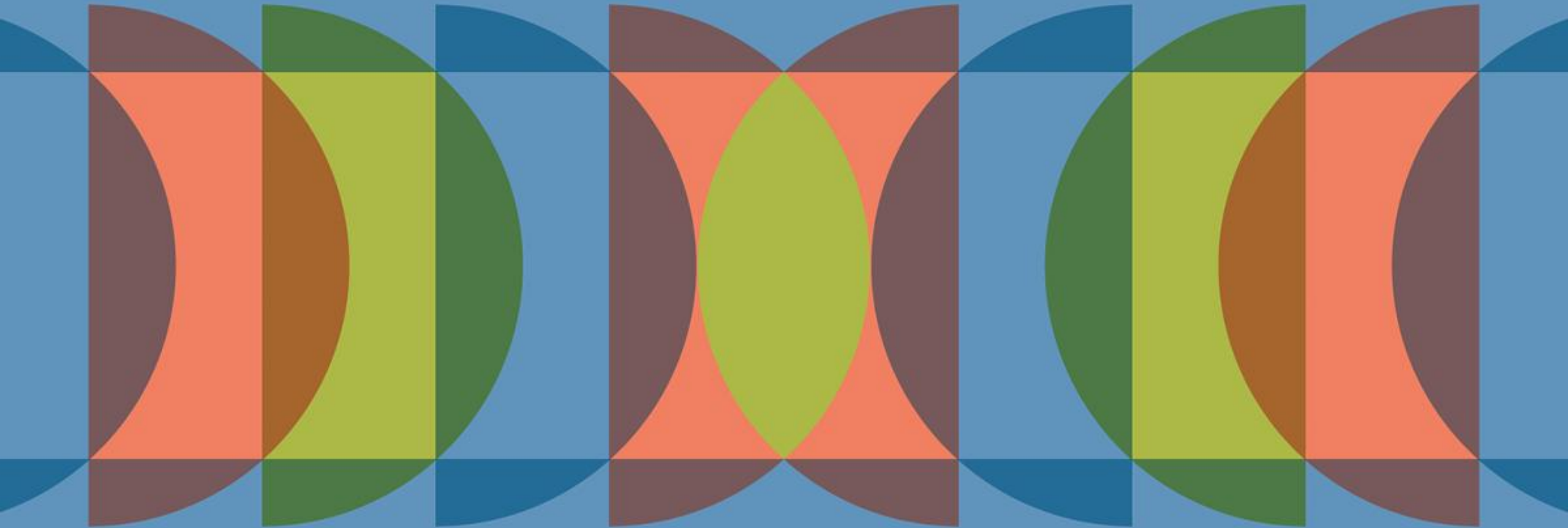
LORA SCHRAFT • STAFF PHOTOGRAPHER

Senior Library Clerk Socorro Alfaro, who has been working at the library for 35 years, stocks shelves in the adult non-fiction section on the second floor in preparation for the opening.

Grand opening schedule

10 a.m.

Honor Guard



ISSUING THE BONDS

Overview of Bond Sale Process



Plan & Authorize

Financing Plan,
Confirm Authority

Assemble Team

Advisor, Legal Counsel,
(*Underwriter*)

Structure Bonds

Set Bond Terms

Documentation & Credit Rating

Disclosure & Credit
Rating

Sell & Close

Sell Bonds,
Deposit Proceeds

The Financing Team



Issuer

City of Gilroy



**Municipal
Advisor**



**Bond &
Disclosure
Counsel**

We Borrowed Only What Was Needed

GO Bond
Authorized

\$37M

Bonds
Issued

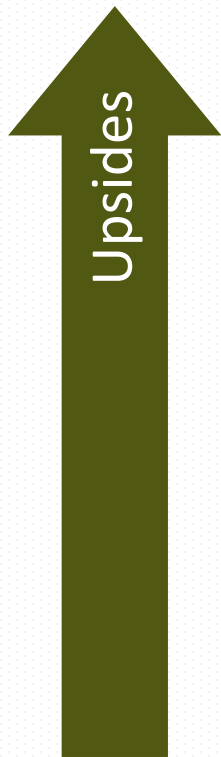
\$34M

The City has remaining GO Bond authorization

Measure F GO Bond Program Budget

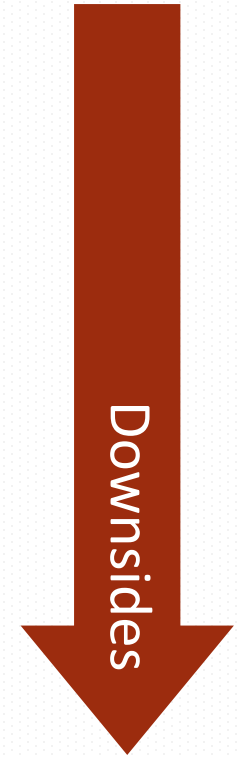
	2009 Bonds		2010 Bonds		Total
Bond Amount	\$	10,500,000	\$	23,500,000	\$ 34,000,000
Project Fund	<u>\$</u>	<u>10,500,000</u>	<u>\$</u>	<u>23,500,000</u>	<u>\$ 34,000,000</u>
Financing Costs	\$	220,000	\$	460,000	680,000

Strategy Behind Multiple Series

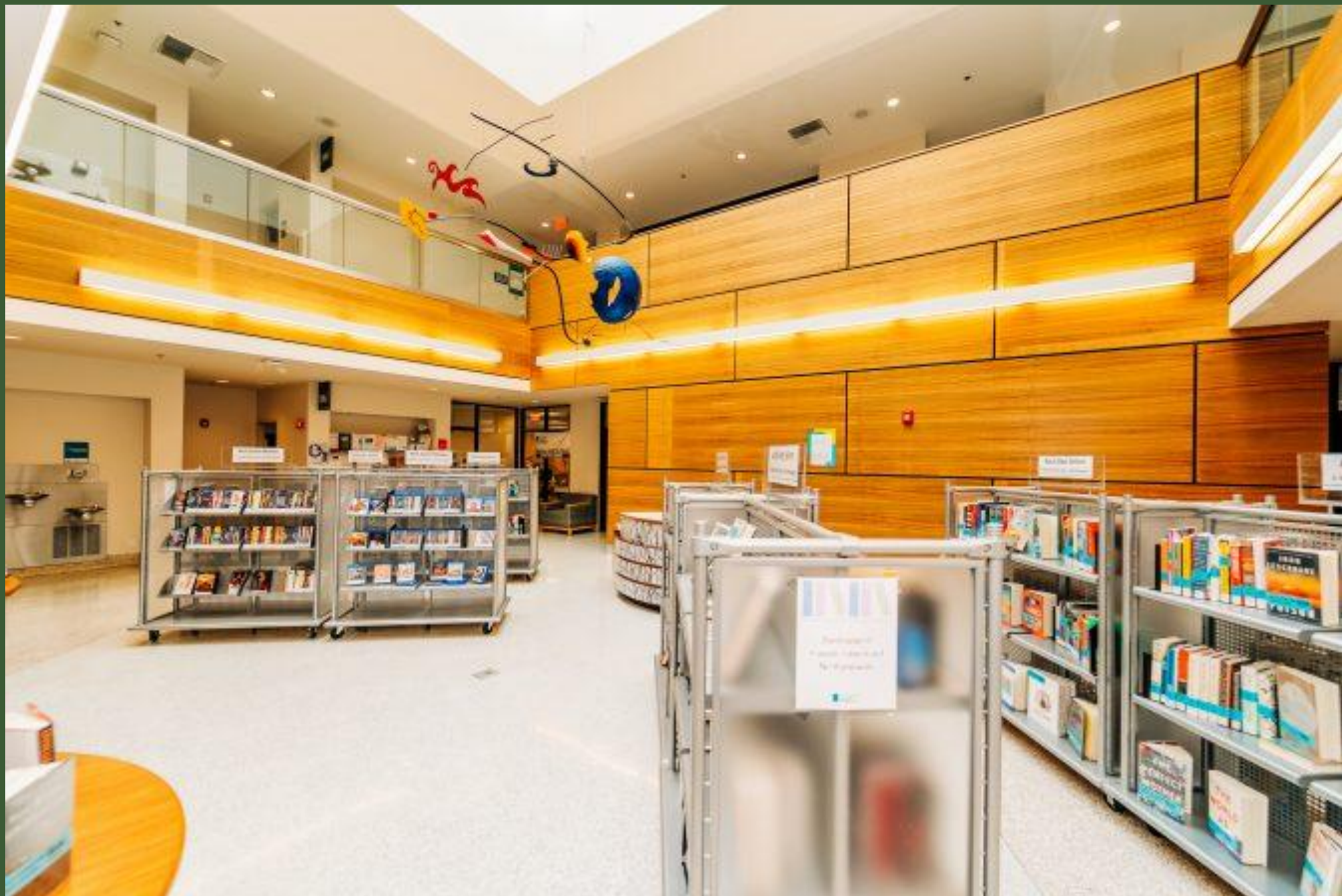


- “Dollar cost averaging the TIC”
- Ease in property tax increases as construction happens
- Federal tax law considerations

- Higher cost of issuance
- Greater interest rate risk







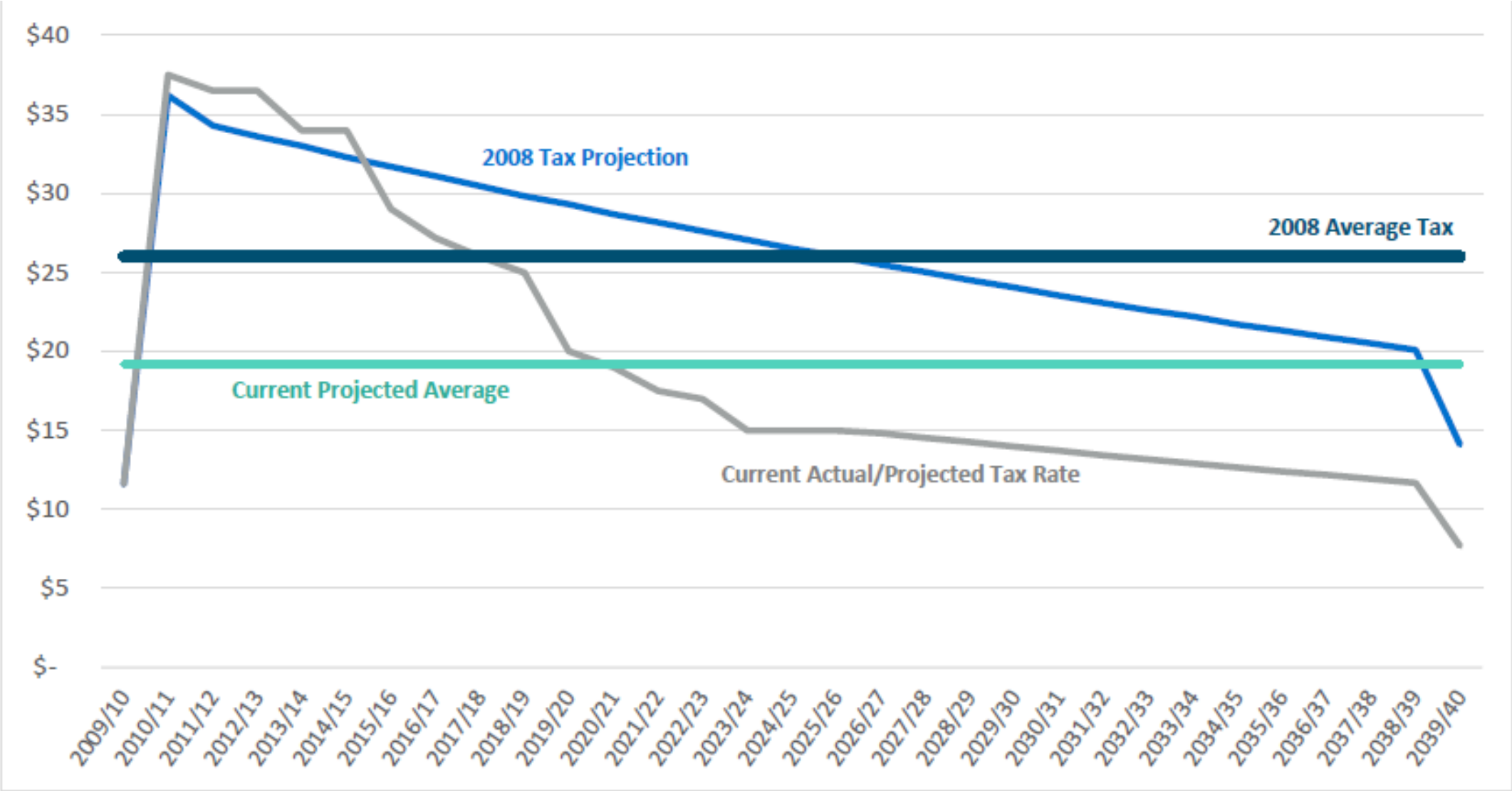


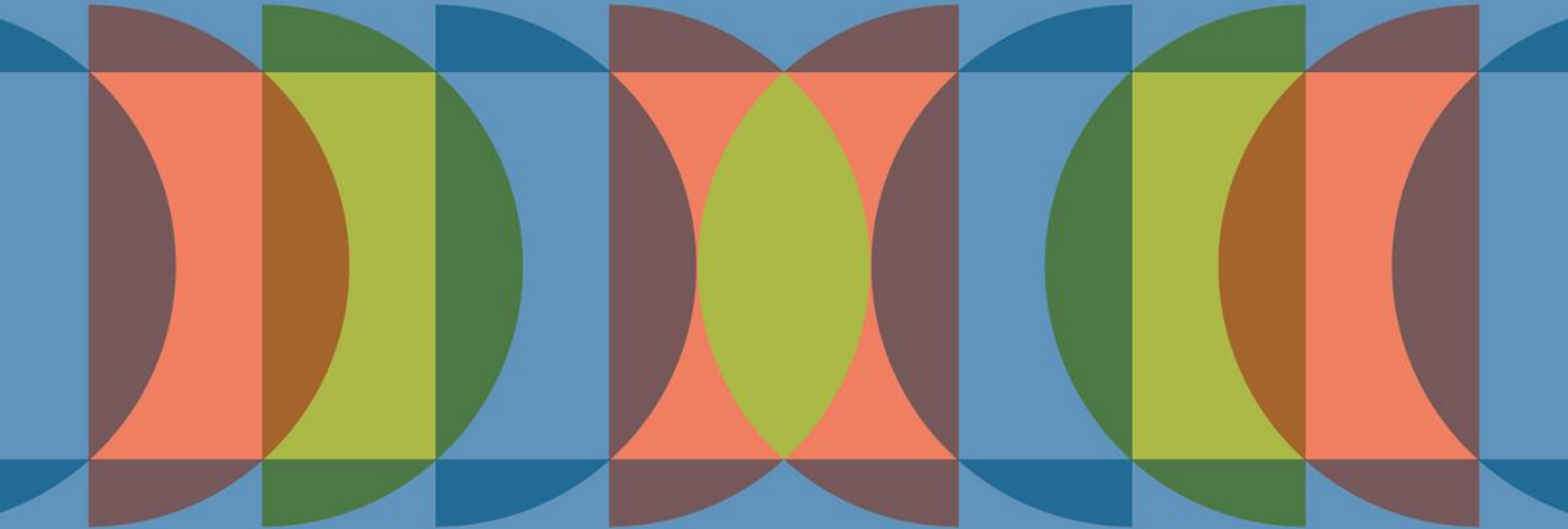


Ongoing City Responsibilities (Post Bond Closing)

- Expenditure of Bond Proceeds
- Annual Tax Rate Approval
 - Ad Valorem Property Tax used only for Bond Debt Service
- Annual Continuing Disclosure Filing
- 2019 Refinancing of Both Series

Original to Current Projected Tax Rate (PER \$100,000 A.V.)





CASE STUDY: SEWER TREATMENT PLANT EXPANSION

Sewer Treatment Plant Expansion

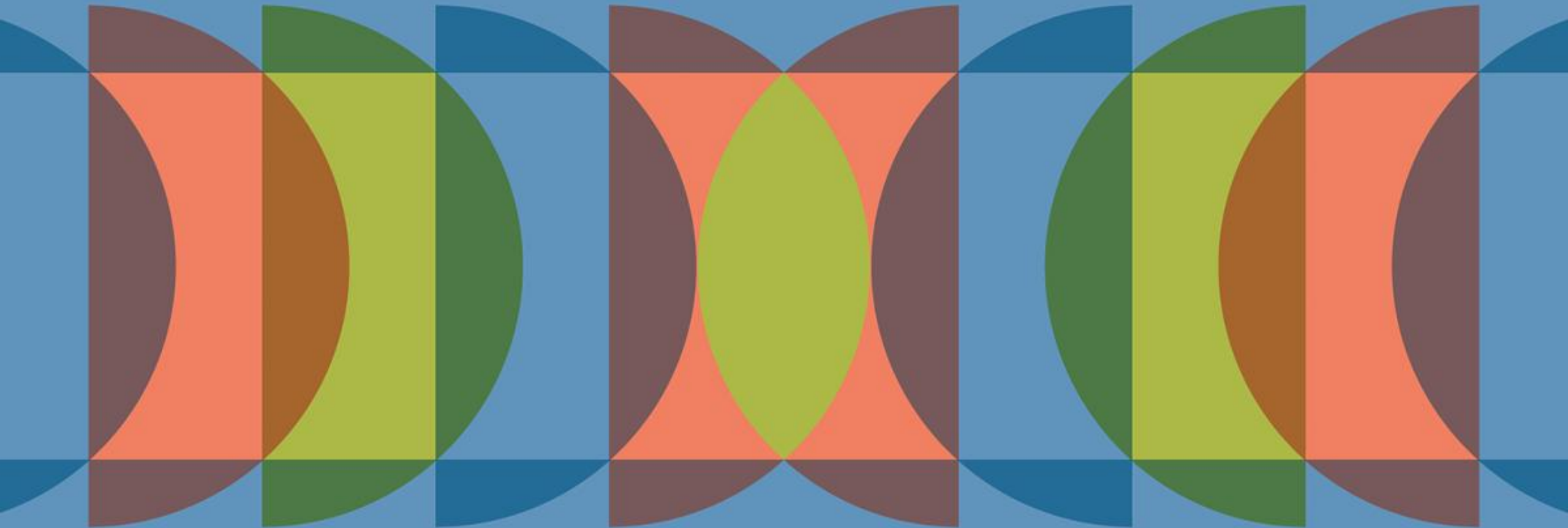
- \$82M Project to increase treatment capacity from 8.5 mgd to 11.0 mgd
- City of Gilroy's share: 58% = \$48M





Project Funding Strategy

- Pledge of net Sewer Rate Revenue
- Sewer Revenue Bonds
 - Sources - \$52.8M Bond Proceeds
 - Uses - \$50.0M Project Fund, \$2.4M Bond Payment, \$0.4K Issuance Cost
- Why Bond Financing:
 - Intergenerational Equity
 - Affordability and Gradual Rate Increases
 - Cash Preservation
- Takeaway: Financing Provided Lease Impact on City & Ratepayers



LESSONS LEARNED



QUESTIONS?



CRAIG HILL
Managing Principal
NHA Advisors

HARJOT SANGHA
Assistant City Administrator
City of Gilroy

