



Legislation Details (With Text)

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File created:	9/30/2020	In control:		City Council	
On agenda:	10/15/2020	Final action:		10/15/2020	
Title:	<p>Actions pertaining to bonds for the Animal Control Facility:</p> <ol style="list-style-type: none">1. ***RESOLUTION - Ratifying, approving and supplementing Resolution No. 2020-254, authorizing the release of facilities (Animal Control Shelter), extension of collateralization (Municipal Service Center, Municipal Auditorium, Parking Garage #4, City Hall), and amendment to the Facilities Lease and Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2020 and approving the taking of all necessary or desirable actions in connection therewith (Council action) (Requires 5 affirmative votes) (Subject to Mayor's veto)2. RESOLUTION - Ratifying, approving and supplementing Resolution No. 48, authorizing the release of facilities (Animal Control Shelter) and extension of collateralization (Municipal Service Center, Municipal Auditorium, Parking Garage #4, City Hall) and amendment of the Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2020 and approving the taking of all necessary or desirable action in connection therewith (Authority action)				
Sponsors:	Finance Department				
Indexes:					
Code sections:					
Attachments:	1. Ratifying JPFA Resolution --Animal Shelter.pdf, 2. A20-1243 Fourth Amendment to Master Facilities Lease - Fresno Animal Services Fac.._, 3. A20-1243 Fourth Amendment to Master Facilities Sublease - Fresno Animal Services .._, 4. A20-1243 Fourth Supplemental Trust Agmt - Fresno Animal Services Facility 4152-78....pdf, 5. Additional information 1030 Animal Control Facility Resolution.pdf				

Date	Ver.	Action By	Action	Result
10/15/2020	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

October 15, 2020

FROM: MICHAEL LIMA, Controller/Finance Director
Finance Department

SUBJECT

Actions pertaining to bonds for the Animal Control Facility:

1. ***RESOLUTION - Ratifying, approving and supplementing Resolution No. 2020-254, authorizing the release of facilities (Animal Control Shelter), extension of collateralization (Municipal Service Center, Municipal Auditorium, Parking Garage #4, City Hall), and amendment to the Facilities Lease and Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2020 and approving the taking of all necessary or desirable actions in connection therewith (Council

action) (Requires 5 affirmative votes) (Subject to Mayor's veto)

2. RESOLUTION - Ratifying, approving and supplementing Resolution No. 48, authorizing the release of facilities (Animal Control Shelter) and extension of collateralization (Municipal Service Center, Municipal Auditorium, Parking Garage #4, City Hall) and amendment of the Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2020 and approving the taking of all necessary or desirable action in connection therewith (Authority action)

RECOMMENDATION

Staff recommends that Council and the JPFA Board approve the accompanying Resolutions authorizing the release of the animal control shelter under the 2008 Master Lease, extending the collateralization of the Municipal Service Center, Municipal Auditorium, and Parking Garage #4 from 2024 to 2039, and extending the collateralization of City Hall from 2039 until 2046.

EXECUTIVE SUMMARY

On September 24, 2020, Council and the JPFA Board approved the issuance of bonds to construct and equip a new animal control shelter. As part of that approval, the animal control shelter itself was pledged as collateral for the bonds. After that approval, the insurer of the bonds (Assured Guarantee Mutual, or AGM) noted that certain provisions in the land sale contract between the City and The Gap made the animal control shelter ineligible to serve as collateral for the bonds. As a result of subsequent discussions with AGM, they have proposed to drop the animal control shelter as a collateralized property for these bonds, and replace the animal control shelter's value by extending the collateralization period for the Municipal Service Center, the Municipal Auditorium, and Parking Garage #4 from 2024 to 2039, as well as extending the collateralization period of City Hall from 2039 until 2046. Staff agrees with AGM's proposal, and recommends approval by both the Council and the JPFA Board.

BACKGROUND

On September 24, 2020, the Council and the JPFA Board approved the sale of up to \$22 million in bonds to construct and equip an animal control shelter. As part of that approval, the animal control shelter was pledged as collateral for these bonds: joining several other City properties which also serve as collateral for the City's bonds under the 2008 Master Lease that the JPFA has with the City.

Subsequent to the vote, the City was notified by AGM that they took exception to a provision in the land sale agreement between the City and The Gap for the property where the animal control shelter will be located. That provision is a "reverter" clause, which requires that the land be returned to The Gap in the event certain circumstances come to pass. Those circumstances are twofold:

- 1) If the City does not construct and operate the facilities by certain milestone deadlines: the latest being September 30, 2022.
- 2) If the shelter is closed or does not operate any time in the next 10 years.

AGM stated that this clause undermined their claim on the property should the City default on these bonds. As a result, AGM was not (and is not) willing to accept the animal control shelter as the bonds' collateral. However, AGM offered that they would insure the bonds if the City would agree to remove the animal control shelter from the collateralization list and, as a substitute, extend the

collateralization period for the Municipal Service Center, the Memorial Auditorium, and Parking Garage #4 from 2024 to 2039, as well as extend the collateralization period for City Hall from 2039 to 2046. Staff believes that this proposal is equitable, as the City will in essence be removing a new, undepreciated asset from the list of collateralized assets and replacing it with four assets that are already collateralized and almost fully depreciated.

Staff has begun discussions with The Gap to see if the “reverter” clause can be removed or modified. However, any resolution with The Gap will come after the targeted sale date of the bonds, which is scheduled for October 20, 2020. Thus, staff recommends that the resolutions removing the animal control shelter from the list of collateralized assets and extending the collateralization of the Municipal Service Center, the Memorial Auditorium, Parking Garage #4, and City Hall be approved. Staff will continue discussions with The Gap so that a solution can be reached whereby the animal control shelter would be available to be used as collateral on a future City bond issue.

SB 450 DISCLOSURES

In accordance with California legislation (Senate Bill 450 Chapter 625 of the 2017-2018 Session of the California Legislature as codified in Government Code Section 5852.1) requiring certain public disclosures related to the sale of bonds, based on market interest rates prevailing and information available at this time, below are good-faith estimates (subject to final market conditions) of the following, related to the 2020A Bonds:

- True interest cost: **2.89%**
- Finance charge, i.e. the sum of all fees and charges paid to third parties (including execution costs, underwriter’s discount, bond insurance and surety fees): **\$618,000**
- Amount of proceeds received by the public body, net of the finance charge described above, and any reserve or capitalized interest paid or funded with proceeds: **\$19,000,000**
- Any reserve or capitalized interest paid or funded with proceeds: capitalized interest of **\$304,000**
- Total debt service payment amount through maturity (net of the capitalized interest above): **\$27,707,000**

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a “project” and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not considered because these Resolutions do not include a bid or award of a construction or service contract.

FISCAL IMPACT

Adopting these resolutions will not have a financial impact on the City. The resolutions will result in

the Municipal Service Center, the Memorial Auditorium, and Parking Garage #4 being collateral for the City's bonds until 2039, and City Hall until 2046. The practical effect of that extension means the City will need to seek the bond insurer's permission if it wishes to dispose of these assets, or utilize them in a manner that is different from their current use.

Attachments: JPA Resolution - Animal Shelter
 City Council Resolution - Animal Shelter
 Fourth Amendment to Master Facilities Lease
 Fourth Amendment to Master Facilities Sublease
 Fourth Supplemental Trust Agreement