



**DATE:** May 13, 2015

**TO:** GCTD Board of Directors

**FROM:** Steve L. Rosenberg *SLR*  
Director of Finance and Administration

**SUBJECT:** **Consider Approval of Financing Plan and Authorize Selection of California Transportation Finance Corporation for Financing Services for the new Administration and Operations Facility**

**I. EXECUTIVE SUMMARY**

This report recommends financing for the unfunded portion of the New Administration and Operations Facility (the “Facility”), and requests the Board provide authorization to the General Manager to work with the California Transit Finance Corporation to develop financing documents, including a Trust Agreement, Resolution, and Preliminary Official Statements for the issuance of Certificates of Participation to fund a portion of the Facility.

**II. BACKGROUND INFORMATION**

GCTD’s new Administration and Operations Facility is in the final stage of design and review, and construction is scheduled to start in October or November 2015. The current working estimate for the Project Estimate at Completion is \$52.1 million. GCTD currently has commitments of \$16.1 million in Federal grant funding and \$10.2 million in State Proposition 1B funding, leaving GCTD to fund the remaining \$25.8 million. (see table below)

<u>Major Task</u>	<u>Current Estimate</u>	<u>Funding Source</u>	<u>Current Estimate</u>
Planning	\$65,712	Existing Federal Grants	\$16,075,000
Real Estate	\$8,677,500	State Funds	\$10,183,026
Owner Costs	\$750,000	COP Proceeds /	
Design	\$3,550,000	GCTD Funds / TIGER Grant	
Environmental	\$75,000	/ Proceeds from Sale of	
Construction/Utilities/Const. Mgmt.	\$37,375,000	Current property	<u>\$25,841,974</u>
Contingency	<u>\$1,606,788</u>		
<b>Grand Total</b>	<b>\$52,100,000</b>	<b>Grand Total</b>	<b>\$52,100,000</b>

GCTD expects to receive construction bids for the Facility in the summer of 2015 with a planned construction start in October or November 2015. The District anticipates closing the fiscal year with over \$6 million in Capital Reserve available to fund a portion of the Facility, and will in June 2015 be applying for a Transportation Investment Generating Economic Recovery (“TIGER”) grant. Depending on the amount of TIGER grant funding awarded, if any, the District proposes to finance the balance of the unfunded construction costs with debt financing. The District

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expects that the unfunded balance will not exceed \$22 million.

GCTD staff discussed its financing needs with two bankers, each of whom concurred that their bank was not positioned to provide competitive long-term financing of this type. Staff met with two entities that specialize in public agency financing and received similar recommendations. Staff reviewed these proposals with the Board's Fiscal Policy committee.

The District would issue its debt as a type of obligation known as Certificates of Participation ("Certificates"). The Certificates are a type of financing lease that are publicly sold obligations, generally to active purchasers of tax-exempt municipal bonds, and have similar characteristics as a municipal bond. The Certificates represent an interest in an underlying lease and entitles the owner to a proportionate share of lease payments made by the District pursuant to a lease agreement. The District would use what is referred to as a conduit issuer and make lease payments to it. The proposed conduit issuer is the California Transit Finance Corporation ("CTFC").

The CTFC was established in 1990 as a non-profit public benefit corporation to assist California Transit Association members like GCTD in financing critical projects while reducing the time and cost of borrowing. The CTFC provides a financing team knowledgeable in transit financing and streamlined documents. CTFC has proven experience in successfully financing projects for California public transit operators, while reducing issuance costs and utilizing standard documentation. Since 1991, the CTFC has helped transit agencies in over 20 certificates of participation issues that have financed \$600 million of capital.

CTFC is administered by Public Financial Management, Inc. ("PFM"), which is an independent, registered financial advisor to local government agencies in California and nationwide. PFM has served as a financial advisor since 1975 and worked with CTFC since its inception. PFM was financial advisor on 783 debt transactions in 2014 with a total principal amount of \$45 billion. CTFC currently retains RBC Capital Markets and Stiefel as bond underwriters and Nossaman LLP as bond counsel.

Certificate financing would provide up to \$22 million of funding for the Facility and have annual payments of about \$1.4 million per year for 29 years. The actual interest rates on the Certificates will be determined by both the interest market levels at the time the Certificates are issued as well as the rating and investor interest that the CTFC team and the District are able to achieve. CTFC estimates the rating will be similar to other comparable CTFC debt issues.

Issuance costs (including both Financing Team and underwriter compensation) are estimated by CTFC at \$290,000 and will be funded from the financing. The District has prepared preliminary long range operating projections for this process, which indicate the ability to absorb the debt payments and continue to provide an expected level of projects and services.

### **III. ADDITIONAL INFORMATION**

Upon selection of the CTFC financing team to manage the transaction, an initial step is to determine the rating for the Certificates, as this provides an independent assessment of the

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Consider Approval of Financing Plan for the New Administration and Operations Facility

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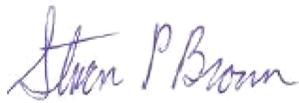
creditworthiness of the District and is a key factor in setting the appropriate interest rates. The CTFC is experienced in working with the rating agencies and framing the credit analysis for transit issuers.

The CTFC will concurrently prepare various documents related to the financing structure and will submit the documents to the Board for approval, most likely at the July Board meeting. The documents will include a Resolution that approves the form of the various documents for the financing, a Trust Agreement that contains the provisions relating to the actual issuance of the Certificates (amount, maturity, payment dates, etc.), a Lease Agreement that contains the provisions relating to the leasing of the Facility to the District, a Preliminary Official Statement that is a disclosure document provided to the investors which describes the Certificates and District, and a Continuing Disclosure Agreement, which is required by the Securities and Exchange Commission and obligates the District to provide certain operating and financial information regarding the Facility and the District.

#### **IV. RECOMMENDED ACTION**

**IT IS RECOMMENDED** that the Board of Directors approve proceeding with financing the unfunded portion of the New Administration and Operations Facility, not to exceed \$22 million, using certificates of participation, and authorize the selection of the California Transportation Finance Corporation for financing services.

Concurrence:



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Steven P. Brown  
General Manager

Board Vote:

Aye:

Nay:

Item Approved this 13<sup>th</sup> Day of May 2015

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Paul Blatz  
Board Chair