Project Delivery:
Fire Station #86 and Fire Station #88
Financing Alternatives

July 2021

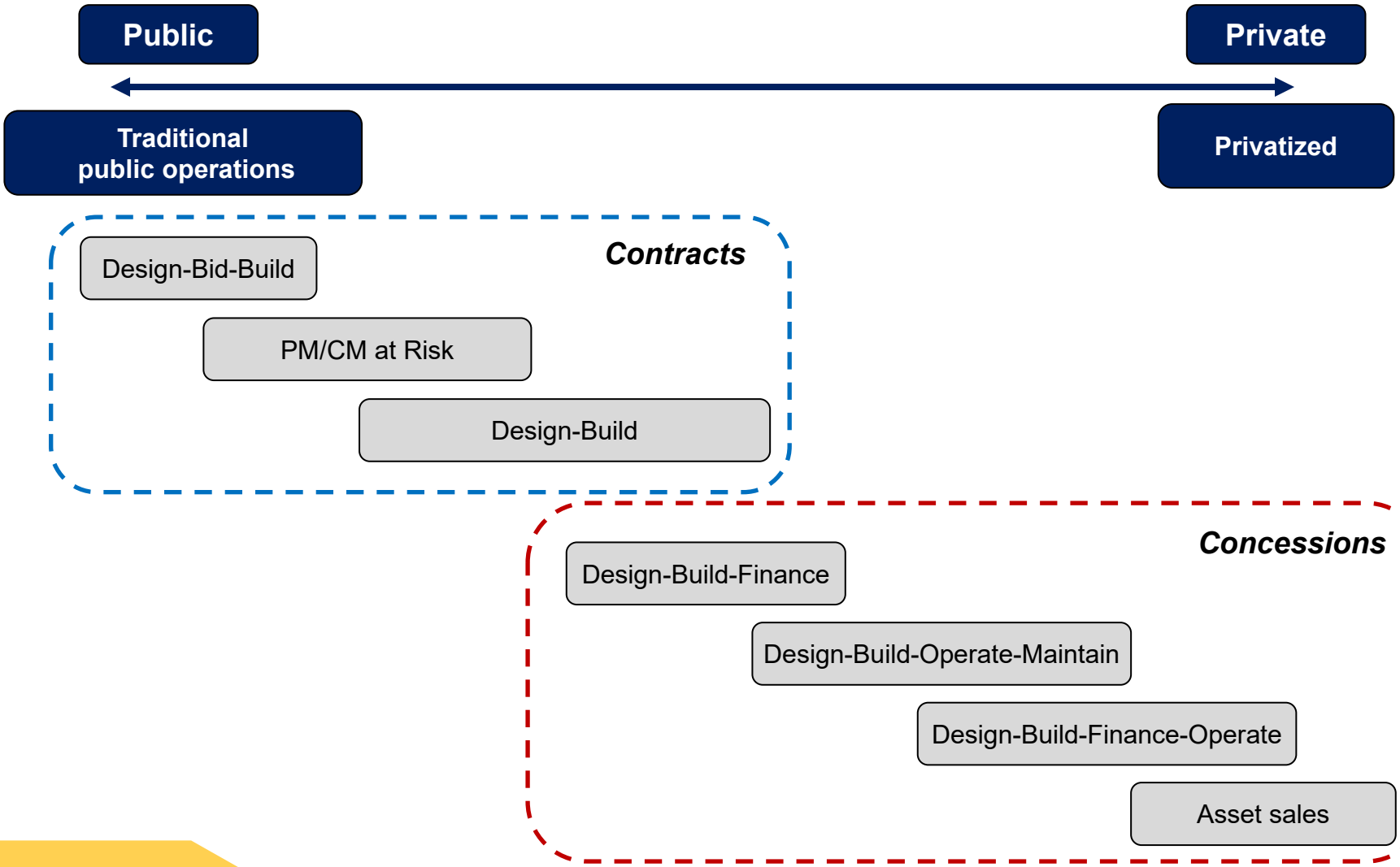
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Executive Summary

- City Council determined to move forward with upgrades to Fire Stations #86 and #88
  - A solicitation process resulted in a proposal to Design-Build the stations
  - City Council desires to optimize the financing method
- Private sector also offered a financing component
  - Third-party Lessor with the City as the lessee
  - 30-year lease term, upon construction completion (*31 total years)
- City's ability to self-finance using the Public Improvement Revenue Bond security
  - 2014 and 2015 Bonds outstanding
  - AA- ratings
- Anticipate the City financing to be more cost-effective
  - Comparison of City financing and 3rd party term sheet suggests ~$2-3M savings
  - Time to close is reasonably similar; 1-2 months

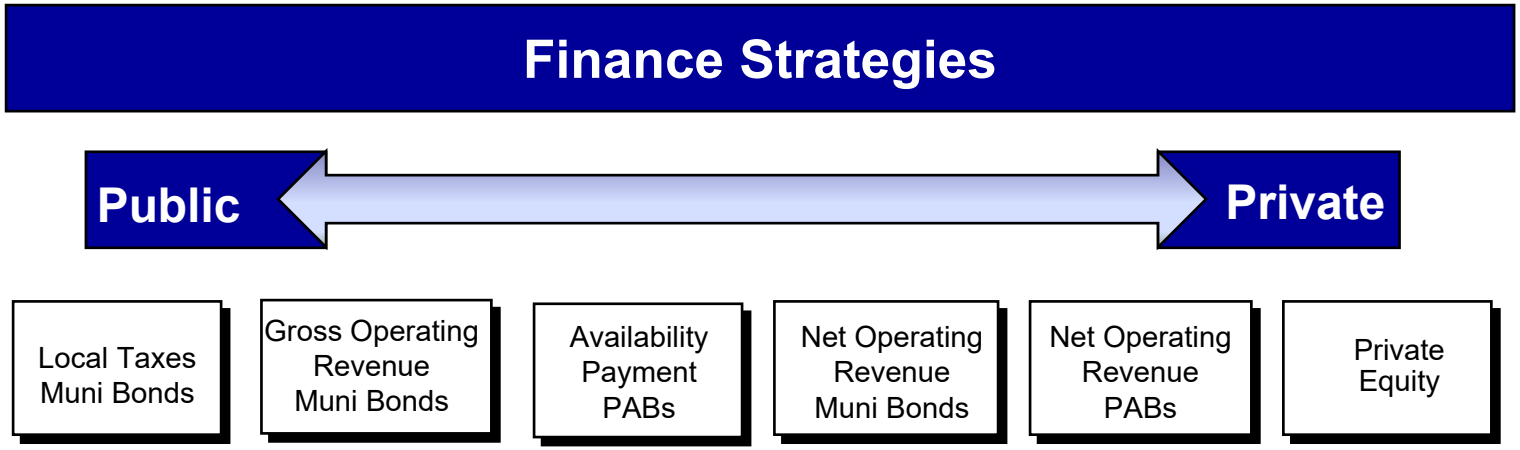
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Refresher: Project Delivery Models



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Typical Infrastructure Capital Methods

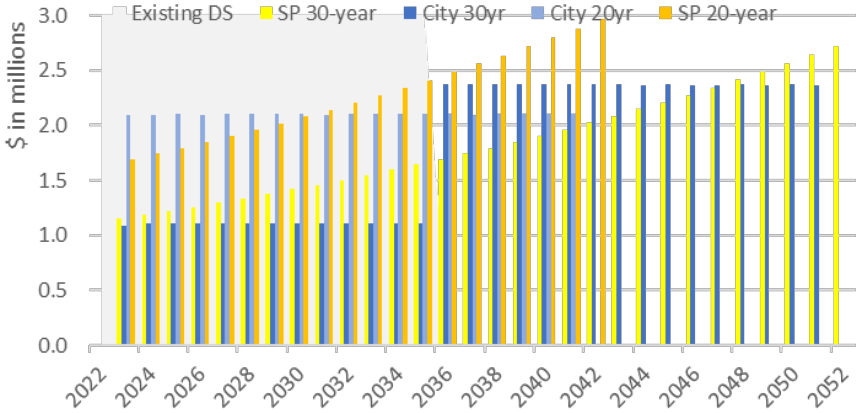


- Private Activity Bonds (PABs) are a type of municipal bonds with limitations on tax deductibility and structuring flexibility.
- Private equity and capital leases should be considered one of numerous infrastructure financing alternatives.
- ***The cost of capital for Taxable bonds, PABs, private equity rates, and 3rd party leases is generally higher than governmental purpose tax-exempt bonds.***

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Project Financing: Pro Forma Summary

- City financing results in estimated borrowing cost of 2.20% - 2.90%
- Total savings $3 - $5 million ($1.5 - $2.7 million NPV)
- Savings vary by year, depending on final structure



Summary of Financing Options				
	Special Purpose Entity (30yr)	City Financing (30 year)	Special Purpose Entity (20yr)	City Financing (20 year)
Amount Financed:	$ 33,929,160	$ 33,255,351	$ 33,695,761	$ 32,922,904
All-in TIC:	3.18%	2.87%	3.06%	2.18%
Total Debt Service:	$ 54,862,864	$ 52,228,966	$ 45,467,209	$ 39,899,877
Total Interest:	$ 20,933,704	$ 18,973,615	$ 11,771,448	$ 6,976,974
Estimated COI:	1,213,000	276,946	1,213,000	291,397
Notes:	*Amount financed is same in all categories, except closing costs and capitalized interest*			
	14 months capitalized interest			
	TIC based on IRR calculation	*Municipal market rates as of 06/21/21*	*TIC based on IRR calculation*	*Municipal market rates as of 06/21/21*

Preliminary. Based on current market conditions and for discussion purposes only.

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Considerations Moving Forward

- **Combined benefits of the partnership**
  - Significant benefits of Design/Build model: Speed of Delivery, Construction Management
  - City's ability to access low-cost funding through the capital markets

- **Preserve Financial Flexibility and Credit Ratings**
  - Recommendation to move forward with a 20-year term
    - Faster amortization, can finalize structure around existing bonds at later date
  - Maintain AA- ratings (Fitch and Standard & Poor's)

- **Anticipated Timing (July/August)**
  - Rating Agency dialogue: second week in July
  - Financing documents to City Commission: July 21st
  - Lock borrowing rate (bond pricing) and close funding: August

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Thank you



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