



# **City of Glendale Potential Pension Refinancing and Infrastructure Bonds**

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# Overview

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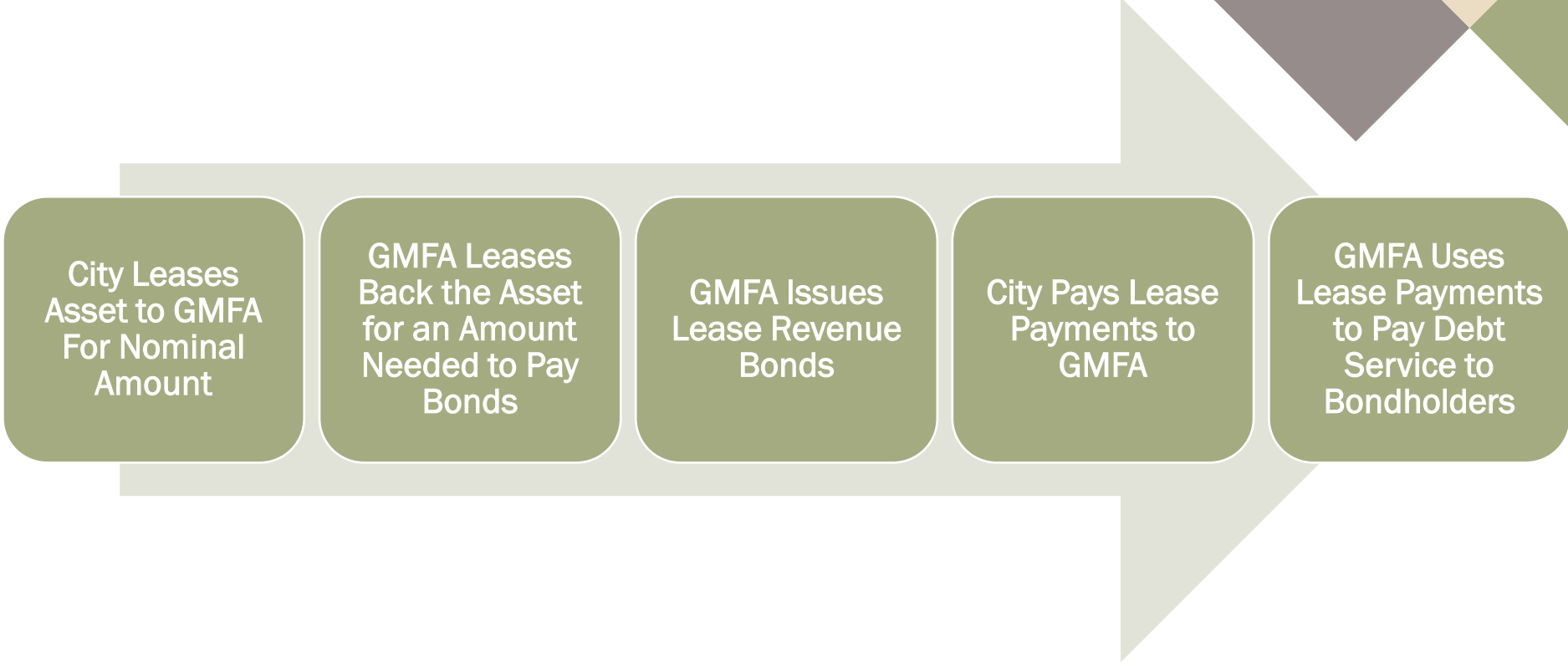
- **Municipal Bonds To Finance General Fund Capital Projects**
  - Lease Revenue Bonds
  - General Obligation Bonds
- **Municipal Bonds to Finance Unfunded Pension Liability**
  - Pension Obligation Bonds

# Lease Revenue Bonds



- Secured by lease payments paid by General Fund for use of one or more City assets pursuant to a lease with the Glendale Municipal Financing Authority (GMFA)
- Lease payments subject to annual appropriation to comply with debt limitations contained in the State Constitution
- No voter approval required
- Can be tax-exempt or taxable depending on project use

# Lease Revenue Bond Structure



# Lease Revenue Bond Issuance Process

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- Approval of bond issuance by resolution of both GMFA and City Council immediately after a public hearing
- Approximately 90-120 Day Process:
  - Drafting Legal and Offering Documents
  - Approval by City Council
  - Credit Rating Process
  - Marketing Bonds to Investors
  - Locking in the Interest Rate
  - Closing and Funding of the Project



# **Project Use For Tax-Exempt Bonds**

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- City-Owned Facilities
- No Restricted Access
- City Must Reasonably Expect to Spend Bond Proceeds within 3 Years of Bond Issuance

*These Limitations Apply to Project to Be Financed,  
Irrespective of Leased Asset*



# **Limitations**

- **Leased Asset can be an Existing Asset or a Facility to be Constructed**
- **Lease Payments Cannot Extend Beyond Useful Life of Facility to be Leased**

*Age of Facility is a Critical Factor*

- **Lease Payments Cannot Exceed Fair Rental Value of Facility to be Leased**

*Typically Determined by Reference to Privately-Owned Facilities Rent Per Square Foot*



# Fair Rental Value (FRV) – Police Building/Parking

Year	Building @30 PSF	Parking @ 1.50/Hr x 328 Spaces x 365	Total FRV	Existing Lease	Available
2024-25	\$4,935,000	\$2,875,000	\$7,810,000	\$2,990,000	\$4,820,000
2025-26	4,935,000	2,875,000	7,810,000	2,990,000	4,820,000
2026-27	4,935,000	2,875,000	7,810,000	2,990,000	4,820,000
2027-28	4,935,000	2,875,000	7,810,000	2,990,000	4,820,000
2028-29	4,935,000	2,875,000	7,810,000	2,990,000	4,820,000
2029-30	4,935,000	2,875,000	7,810,000	2,990,000	4,820,000
2031-32	4,935,000	2,875,000	7,810,000	-	7,810,000
Thereafter	4,935,000	2,875,000	7,810,000	-	7,810,000



# Lease Payment Per \$50M Project Fund Tax-Exempt Bonds

Maturity	AA Rated Bonds Effective Rate Including Costs	Annual Debt Service
15 Year	3.12%	\$4,700,000
20 Years	3.56%	3,875,000
25 Years	3.87%	3,435,000
30 Years	4.11%	3,160,000

(as of April 2024)

# Potential Leased Assets



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- Fire Stations
  - Libraries
  - Parks & Community Centers
  - Parking Structures
  - Police Building\*

*Any Leased Asset  
Must Pass S&P  
Seismic Stress Test*

*\* Subject to 2019 Bonds/Lease*

# **Taxable Lease Revenue Bonds**

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- No Restriction on Use of Facility Financed or Payments from Users
  - Can be Used to Finance Working Capital
  - Fair Rental Value Limit and Useful Life Limit Still Apply to Leased Asset
  - Interest Rate is Higher
    - 30 Year AA Taxable 6.20% Rate
    - 30 Year AA Tax-Exempt 4.01% Rate
- (as of April 2024)



# **General Obligation Bonds**

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- Usually secured by property tax levy
- Requires 2/3 voter approval
- Bond amount limited to a 15% of assessed value
- The City has no General Obligation Bonds

# GO / Lease Revenue Bond Differences

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- **GO Bonds Have Higher Credit Rating**
  - GO Bond: AA+
  - Lease Revenue Bond: AA
  - Results in Slightly Lower Interest Rate (0.05-0.10%)
- **GO Bonds Do Not Require Use of City Assets**

# **Pension Obligation Bonds**

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- Used to prepay Unfunded Actuarial Liability (UAL) determined by CalPERS
  - City May Prepay All or Any Portion of UAL of Either Miscellaneous or Safety Plan
- Debt Management Tool
  - Refinance Payments Currently Accruing at 6.8% at Lower Rate
  - Structure Decreasing Annual Payments Over Time to Match CalPERS
  - Payment Scheduled Decrease in Annual Payment
- No voter approval - requires judicial validation that UAL is an obligation imposed by law
- Treated as Working Capital and issued as Taxable Bonds

# Comparison of Potential Savings Based on Rates

FYE June 30	Existing UAL Payments	Debt Service at 5.90%*	Potential Reduction	Debt Service at 3.40%	Potential Reduction
2025	\$61,171,841	\$52,356,000	\$8,815,841	\$50,247,000	\$10,924,841
2026	59,775,404	56,754,000	3,021,404	50,251,000	9,524,404
2027	64,620,982	61,352,000	3,268,982	50,253,000	14,367,982
2028	67,926,548	64,493,000	3,433,548	50,254,000	17,672,548
2029	76,059,161	72,216,000	3,843,161	50,251,000	25,808,161
2030	77,748,993	73,824,000	3,924,993	50,252,000	27,496,993
2031	79,486,141	75,477,000	4,009,141	50,251,000	29,235,141
2032	74,295,554	70,533,000	3,762,554	50,253,000	24,042,554
2033	73,397,361	69,676,000	3,721,361	50,254,000	23,143,361
2034	68,331,684	68,320,000	11,684	50,254,000	18,077,684
2035	66,178,808	66,175,000	3,808	50,254,000	15,924,808
2036	62,943,315	62,938,000	5,315	50,251,000	12,692,315
2037	57,292,791	57,289,000	3,791	50,252,000	7,040,791
2038	54,203,332	54,197,000	6,332	50,254,000	3,949,332
2039	50,908,255	50,904,000	4,255	50,902,000	6,255
2040	48,481,716	48,474,000	7,716	48,478,000	3,716
2041	49,629,734	49,621,000	8,734	49,626,000	3,734
2042	37,589,395	37,585,000	4,395	37,584,000	5,395
2043	32,666,515	32,660,000	6,515	32,661,000	5,515
2044	52,838,144	52,832,000	6,144	52,835,000	3,144
	<b>\$1,215,545,674</b>	<b>\$1,177,676,000</b>	<b>\$37,869,674</b>	<b>\$975,617,000</b>	<b>\$239,928,674</b>

\*Current Rates as of April 2024

UAL Based on June 30, 2022 CalPERS Report

# Current Status

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- Interest Rates are Currently Too High to Provide Enough Savings/Contingency
- Need Rates to Fall by 2% to 2.5% Before Considering Actual Issuance of POBs
- Can Approve Validation Action in Advance – Put it on the Shelf Until Needed



# POB Process

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- No Voter Approval - Requires Judicial Validation that UAL is an Obligation Imposed by Law
- Judicial Validation Can Take 4 -6 Months
- Does Not Require Lease of Assets to Secure Bond Payments like Traditional City Lease Revenue Bonds
- Once Validation is Complete, POB Can Be Issued at Anytime to Fund All or a Part of any Plan's UAL

# Questions

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