



COUNCIL REPORT

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| DATE. | April 28, 2026 |
| CATEGORY. | New Business |
| DEPT. | Finance and Administrative Services |
| TITLE. | Approval of Lease Revenue Bonds for Public Safety Building Project and Related Actions by City Council and Capital Improvements Financing Authority Board |

RECOMMENDATION

1. Adopt a Resolution of the City Council of the City of Mountain View Finding That the Issuance of the Lease Revenue Bonds Will Result in Significant Public Benefits; Declaring the Intention to Reimburse Expenditures on the Public Safety Building Project Made Prior to Issuance of the Lease Revenue Bonds; Approving the Issuance and Sale of the Lease Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$140,000,000; Approving Related Documents, Including a Site Lease, Lease Agreement, Bond Purchase Agreement and Continuing Disclosure Certificate; Approving a Preliminary Official Statement and Authorizing Distribution of the Preliminary Official Statement and a Final Official Statement; Appointing Bond Counsel, Disclosure Counsel and Municipal Advisor in Connection with the Lease Revenue Bonds; and Authorizing Official Actions, to be read in title only, further reading waived (Attachment 1 of the Council report).
2. Adopt a Resolution of the City of Mountain View Capital Improvements Financing Authority Board of Directors Authorizing the Issuance and Sale of Lease Revenue Bonds to Provide Financing for a Public Safety Building Project to be Owned and Operated by the City of Mountain View, Approving Related Documents and Directing Related Actions, to be read in title only, further reading waived (Attachment 2 of the Council report).

BACKGROUND

The City is undertaking the construction of a new City public safety building (“Public Safety Building”) and the demolition of the existing City police and fire administration headquarters (“Police and Fire Administration Building”; collectively, the “Project”). The new Public Safety Building will be constructed adjacent to the Police and Fire Administration Building on a larger City-owned site.

The Project is expected to commence in July 2026 and be completed in late 2030.

The total cost of the Project is estimated at approximately \$189.0 million. The City plans to fund the Project through a combination of proceeds from the lease revenue bonds described in this report (“Lease Revenue Bonds”) and available City reserves and other funding sources.

On April 14, 2026, additional details regarding the Project and its funding plan were presented to and approved by Council.

ANALYSIS

Financing Structure

California cities commonly use lease financing to fund capital improvements through their general funds without first holding a citywide election. Lease financings are commonly structured as lease revenue bonds issued by a joint powers authority (a separate public agency formed to facilitate public financings). The Authority is a joint powers authority formed by the City and the Mountain View Shoreline Regional Park Community for this purpose.

Under this structure, the Authority will issue Lease Revenue Bonds to finance the Project. In connection with the bond issuance, the Authority and the City will enter into a Site Lease and Lease Agreement. Pursuant to the Site Lease, the City will lease certain city-owned property to the Authority in consideration of an upfront payment (generated by proceeds from the issuance of the Lease Revenue Bonds). The Authority will then lease the property back to the City under the Lease Agreement in consideration for semi-annual lease payments.

The Authority will assign its right to receive the lease payments to the bond trustee. The lease payments made by the City will be used by the trustee to pay debt service on the Lease Revenue Bonds.

The proceeds of the Lease Revenue Bonds would be used to pay the Project costs, including, as permitted, reimbursement to the City for prior Project-related expenditures. The City would covenant to annually budget and appropriate funds from the General Fund to make the required semi-annual lease payments.

Financing Documents

In addition to the financing document reference materials previously provided via email to each Councilmember by the City Attorney for advance review and reference, the City’s Bond and Disclosure Counsel will provide a brief presentation and training regarding the Council's role in the approval process at the start of the item on April 28, 2026.

The resolutions approve the following documents related to the Lease Revenue Bonds, together with any changes or additions deemed advisable and approved by any Authorized Officer, upon consultation with Bond Counsel. Because certain numbers and information related to the financing are unknown until the Lease Revenue Bonds are sold, such final numbers and information will be populated into the documents before execution of the financing documents and closing of the transaction

- **Site Lease (Attachment 3)**- Under a Site Lease, the City will initially lease the land and improvements constituting (i) the City Hall, the Public Library, the Center for Performing Arts, the Civic Center Parking Garage and Pioneer Memorial Park (“Civic Center Parcels”) and (ii) the existing Police Station (which will be demolished upon completion of the Project) and the Project (the “Leased Property”) to the Authority to facilitate the lease financing.
- **Lease Agreement (Attachment 4)**- Under a Lease Agreement, the Authority will sublease the Leased Property to the City. The City will covenant in the Lease Agreement to budget and appropriate for the scheduled semi-annual lease payments, which will be equal to the semi-annual debt service on the Lease Revenue Bonds. If the City fails to make the scheduled lease payments, the trustee for the Lease Revenue Bonds (“Trustee”) could sue the City to make the scheduled lease payments, or the Trustee could take possession of and re-let the Leased Property. The City will confirm in the Lease Agreement that the lease payments made by the City under the Lease Agreement represent fair rental value for the Leased Property. The Lease Agreement provides that, upon completion of the Project, the City may release the Civic Center Parcels and the related improvements from the Site Lease and the Lease Agreement, and the Project will remain as the only Leased Property thereafter.
- **Assignment Agreement (Attachment 5)** - Under an Assignment Agreement between the Authority and the Trustee, the Authority will assign to the Trustee its right to receive the lease payments that are payable by the City under the Lease Agreement.
- **Indenture of Trust (Attachment 6)** – The Indenture of Trust between the Authority and the Trustee defines the terms and conditions of the 2026 Bonds, including the pledge of revenues, redemption provisions, investment and management of funds and accounts, repayment mechanisms, and the rights and obligations of the City, the Authority, the Trustee, and the bondholders.
- **Bond Purchase Agreement (Attachment 7)**– At the time the Lease Revenue Bonds are sold, the City and the Authority will enter into a Bond Purchase Agreement with Stifel, Nicolaus & Company, Incorporated, and Morgan Stanley & Co. LLC, as underwriters, who will agree to underwrite the Lease Revenue Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement. The resolutions provide the Underwriter’s

discount on the purchase of the Lease Revenue Bonds may not exceed 0.5% of the par amount of the Lease Revenue Bonds.

- **Preliminary Official Statement (Attachment 8)**- The Official Statement is the primary disclosure document for the Lease Revenue Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the Lease Revenue Bonds. After the Lease Revenue Bonds have been priced, a final Official Statement will be circulated to investors; the final Official Statement should be identical to the Preliminary Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms).

The Preliminary Official Statement is prepared by Jones Hall, serving the City as Bond Counsel and Disclosure Counsel for this transaction, with the assistance of the remainder of the financing team, including City staff and Urban Futures Incorporated, the City's municipal advisor (Municipal Advisor).

The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Lease Revenue Bonds. Material information is information that there is a substantial likelihood that would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council and the Board of Directors of the Authority conclude that the Preliminary Official Statement includes all facts that would be material to an investor in the Lease Revenue Bonds, it must adopt a resolution (see Attachment 1 and Attachment 2) that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance on the City Council's duties with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (Release), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Lease Revenue Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary

Official Statement and questioning staff and consultants about the disclosure of such facts.

The key sections of the Preliminary Official Statement are summarized below.

- “THE 2026 BONDS”. This section summarizes the key terms of the Lease Revenue Bonds, including payment dates and redemption provisions.
 - “SECURITY FOR THE BONDS”. This section summarizes key security terms, including the lease payments made by the City under the Lease Agreement described above.
 - “CITY FINANCIAL INFORMATION”. This section summarizes financial and operating data that is material to the City’s ability to pay the lease payments.
 - “BOND OWNERS’ RISKS”. This section highlights the primary risks associated with the Lease Revenue Bonds, most of which relate to the financial health of the City’s general fund.
 - “TAX MATTERS”. This section describes the tax-exempt nature of interest on the Lease Revenue Bonds.
- **Continuing Disclosure Certificate (included in Attachment 8 as Appendix E)** - Under SEC Rule 15c2-12, the underwriters of the Lease Revenue Bonds may only purchase the Lease Revenue Bonds if they have determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events. The City will execute a Continuing Disclosure Certificate to provide ongoing information consistent with SEC Rule 15c2-12, and a form of the Continuing Disclosure Certificate is attached to the Preliminary Official Statement.

The final documents will be in substantially the same form as the draft documents.

Public Hearing

In accordance with Government Code Section 6586.5(a)(1), the City must hold a public hearing to consider public testimony concerning the possible issuance of bonds by the Authority to finance certain public capital improvements within the boundaries of the City. The City Resolution approves the Authority's sale of bonds and finds that there are significant public benefits associated with the Project and its financing, including the use of bond proceeds.

Agreements for Professional Services

Several professional services are required with the issuance of Lease Revenue Bonds as follows:

Municipal Advisor— The municipal advisor, acting as the City’s and Authority’s fiduciary, assists in the financial analysis of debt issuance, including debt structure, bond pricing, and credit analysis.

Bond Counsel and Disclosure Counsel— Jones Hall is acting as bond counsel (in which it prepares the legal documents and provides an opinion on the validity of the Lease Revenue Bonds and the exclusion of the interest on the Lease Revenue Bonds from gross income for federal income tax purposes) and disclosure counsel.

All transaction costs will be paid with proceeds of the Lease Revenue Bonds.

FISCAL IMPACT

Government Code Section 5852.1 requires the City to obtain and disclose a good faith estimate of the true interest cost, financing costs, sources and uses of funds, and total debt service for the Lease Revenue Bonds. This information is included in Appendix A of the proposed resolutions.

Based on market conditions as of April 8, 2026, the Lease Revenue Bonds are expected to be issued in an approximate principal amount of \$128.5 million, with an estimated true interest cost of 4.36%. Staff estimates that the Lease Revenue Bonds will generate approximately \$138.0 million in construction proceeds (plus additional reinvestment earnings during the construction period). The City’s lease payments under the Lease Agreement are projected to average approximately \$8.3 million annually through May 1, 2056.

The estimated interest rates and financing amounts described above will be finalized upon execution of the Bond Purchase Agreement between the City and the underwriters, anticipated in early May 2026. Costs of issuance, including fees for Bond Counsel, Disclosure Counsel, the Underwriters, and the Municipal Advisor, will be paid from bond proceeds.

Pursuant to the proposed resolutions, the Lease Revenue Bonds are subject to a not-to-exceed true interest cost of 5.00% and a maximum principal amount of \$140.0 million. These parameters provide flexibility to accommodate potential changes in market conditions prior to bond pricing.

NEXT STEPS

If the City Council and Board adopt the Resolutions approving/authorizing the issuance of the Lease Revenue Bonds, the financing team will distribute the Preliminary Official Statement to potential purchasers/investors of the bonds on or about April 29, 2026.

The Lease Revenue Bonds are currently expected to be priced during the week of May 4, 2026, and delivered the week of May 18, 2026, at which time the City would receive the bond proceeds. The schedule is subject to change based on market conditions.

Issuance of the bonds is contingent upon market conditions remaining within the not-to-exceed parameters described in the Fiscal Impact section, including limitations on the maximum principal amount and true interest cost.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a “license, permit, or other entitlement for use” if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information, see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

EXEMPT FROM THE LEVINE ACT

General policy and legislative actions

CONCLUSION

The proposed Lease Revenue Bond financing provides the City with a mechanism to fund the Project in a timely manner while maintaining flexibility within the General Fund. The financing structure is consistent with common municipal practices and has been reviewed by the City’s

municipal advisor, bond counsel, and disclosure counsel. Adoption of the proposed resolutions will authorize the issuance of the bonds, allowing the City to proceed with the Project as planned.

ALTERNATIVES

1. Do not adopt the resolutions authorizing the issuance of the Lease Revenue Bonds and do not proceed with the Project.
2. Do not adopt the resolutions at this time and direct staff to return with revised financing terms, structure, or timing.
3. Provide other direction.

PUBLIC NOTICING

Agenda posting and a notice of the public hearing was published in The Daily Post on April 17, 2026.

Prepared by:

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Arn Andrews
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Approved by:

Kimbra McCarthy
City Manager

- Attachments:
1. Resolution of the City Council
 2. Resolution of the Board of Directors of City of Mountain View Capital Improvements Financing Authority Resolution
 3. Draft Site Lease
 4. Draft Lease Agreement
 5. Draft Assignment Agreement
 6. Draft Indenture of Trust Revised
 7. Draft Bond Purchase Agreement
 8. Draft Preliminary Official Statement (Continuing Disclosure Certificate included as Appendix E)