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**Regarding: San Mateo County Joint Powers Financing Authority, 2021 Lease Revenue Bonds  
Summary of Results**

### **Background**

On May 26, 2021, the San Mateo County Joint Powers Financing Authority (the "JPFA") approved the issuance of three (3) series of lease revenue bonds. The purpose of the lease revenue bonds was to: (i) fund \$155 million for the Cordilleras Mental Health Center Replacement Project ("Cordilleras Project"), (ii) refinance the JPFA's Lease Revenue Bonds (Refunding and Capital Projects), 2013 Series A (Robert Sans Memorial Issue) ("2013 LRBs") for interest savings, (iii) refinance the JPFA's Lease Revenue Bonds (Capital Projects), 2014 Series A (Maple Street Correctional Center) ("2014 LRBs") for interest savings, and (iv) fund the cost of issuing the lease revenue bonds. The summary below has been prepared by California Financial Services ("CFS") for the benefit of the JPFA.

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## **Credit Rating Agency Feedback and Investor Interest**

When issuing debt, the JPFA has traditionally requested that S&P Global Ratings (“S&P”) and Moody’s Investor Services (“Moody’s”) (collectively “Rating Agencies”) perform independent third-party reviews of the JPFA’s credit and assign ratings to be relied upon by potential investors. These ratings allow certain investor groups like large mutual funds and insurance companies to purchase bonds issued by the JPFA and provide needed assurance to smaller investors. We are delighted to report that the JPFA was again awarded a AA+ by S&P and a Aa1 by Moody’s. These ratings reaffirm the Rating Agencies’ belief that bonds issued by the JPFA have a very low risk of default. S&P highlighted the following factors in assessing the JPFA’s credit quality:

- Very strong economy, with access to a broad and diverse metropolitan area;
- Strong management, with good financial policies and practices;
- Strong budgetary performance, which ended with operating surpluses in the general fund and at the total governmental fund level in fiscal 2020;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 96% of operating expenditures;
- Very strong liquidity, with total government available cash at 138.3% of total governmental fund expenditures and 36.0x governmental debt service, and access to external liquidity;
- Very strong debt and contingent liability profile, with debt service carrying charges at 3.8% of expenditures and net direct debt that is 39.2% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value; and
- Strong institutional framework.

The JPFA’s financing team offered the lease revenue bonds to investors on May 10, 2021 and as a result of these ratings and the investor’s familiarity with the JPFA we saw strong investor interest from all investor categories, including both institutional and retail investors. Below are summaries of the results for each series of lease revenue bonds.

### **\$153,005,000 San Mateo County Joint Powers Financing Authority, Lease Revenue Bonds (Cordilleras Mental Health Center Replacement Project) 2021 Series A (“2021 Series A Bonds”)**

The 2021 Series A Bonds were issued via a public offering generating \$155 million of funding for the Cordilleras Project. The issuance garnered strong investor interest resulting in very low interest rates. Below are a few key results:

- Par Amount: \$153,005,000 (*\$170,672,080.60 Total Proceeds*)
- Construction Fund Deposit: \$155,000,000
- Final Maturity Date: 06/15/2055 (*34-year Term*)
- First Payment Due: 12/15/2024 (*3-years of Capitalized Interest*)
- True Interest Cost: 2.275699%
- Debt Service Repayment Ratio: 1.52:1

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**\$26,345,000 San Mateo County Joint Powers Financing Authority, Refunding Lease Revenue Bonds 2023 Series A (“2023 Series A Bonds”)**

During the underwriter selection process, the JPFA was presented with the opportunity to refinance the 2013 LRBs through the issuance of forward refunding bonds sold directly to Morgan Stanley & Co. LLC. (“Morgan Stanley”). Throughout the issuance process CFS worked with Citi Global Markets, Inc. (“Citi”), the Managing Underwriter on the issuance, to evaluate the potential savings of such a structure compared to a public offering. Ultimately the team determined that Morgan Stanley’s forward refunding structure generated significantly more savings than a public offering. Specifically on May 24, 2021, the forward structure was estimated to generate approximately \$500,000 in additional savings over a public offering. Shortly after the interest rates were determined for the 2021 Series A Bonds, the 2023 Series A Bonds were priced using a formula based upon the interest rates for the 2021 Series A Bonds. Below are a few key results:

- Par Amount: \$26,345,000 (*\$31,294,160.90 Total Proceeds*)
- Forward Delivery Date: 04/17/2023
- Final Maturity Date: 07/15/2032 (*approx. 9-year Term*)
- First Payment Due: 06/30/2024
- True Interest Cost: 1.624065%
- Debt Service Repayment Ratio: 1.29:1
- Total Debt Service Savings: \$5,144,749.31 (*Net Present Value (“NPV”) Savings: \$4,641,265.71*)

**\$61,345,000 San Mateo County Joint Powers Financing Authority, Refunding Lease Revenue Bonds (Maple Street Correctional Center) 2024 Series A (“2024 Series A Bonds”)**

Similar to the 2023 Series A Bonds, the team determined that issuing the 2024 Series A Bonds using Morgan Stanley’s forward refunding structure generated significantly more savings than would be generated by a public offering. Specifically on May 24, 2021, the forward structure was estimated to generate approximately \$1,660,000 in additional savings over a public offering. Like the 2023 Series A Bonds the 2024 Series A Bonds were also priced using a formula based upon the interest rates for the 2021 Series A Bonds. Below are a few key results:

- Par Amount: \$61,345,000 (*\$69,799,192 Total Proceeds*)
- Forward Delivery Date: 03/18/2024
- Final Maturity Date: 06/15/2037 (*approx. 13-year Term*)
- First Payment Due: 04/15/2024
- True Interest Cost: 2.088306%
- Debt Service Repayment Ratio: 1.27:1
- Total Debt Service Savings: \$7,824,026.67 (*NPV Savings: \$6,937,423.55*)

On behalf of the entire finance team, I want to congratulate the JPFA on another series of successful financings and extend our appreciation for the opportunity to continue to serve the JPFA and by extension to citizens and taxpayers of San Mateo County. If you have any questions, please let me know.