

Presentation to the



Board of Supervisors of the County of Santa Barbara

*2010 Certificates of Participation, Tax-Exempt Series A-1 and
Taxable Series A-2 (Recovery Zone Economic Development Bonds)*

May 11, 2010

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- **County Executive Office**
 - Michael Brown – *County Executive Officer*
 - Jason Stilwell – *Director of Budget and Research*
- **Office of the Treasurer**
 - Bernice James – *Treasurer–Tax Collector*
 - Harry Hagen – *Assistant Treasurer–Tax Collector*
 - Stacey Matson – *Investment & Debt Officer*
- **Office of County Counsel**
 - Dennis Marshall – *County Counsel*
 - Anne Rierson – *Deputy County Counsel*
- **Office of the Auditor – Controller**
 - Robert Geis – *Auditor–Controller*
 - Theo Fallati – *Assistant Auditor–Controller*
 - Julie Hagen - *Chief Deputy Controller*
- **Orrick, Herrington & Sutcliffe LLP** (Bond Counsel)
 - Philip Morgan
- **De La Rosa & Co.** (Underwriter)
 - Edward J. De La Rosa – *President*
 - Holly Vocal – *Vice President*
 - James Lee – *Analyst*
- **Nossaman LLP** (Underwriter’s Counsel)
 - Jeff Stava

Role of the Underwriter

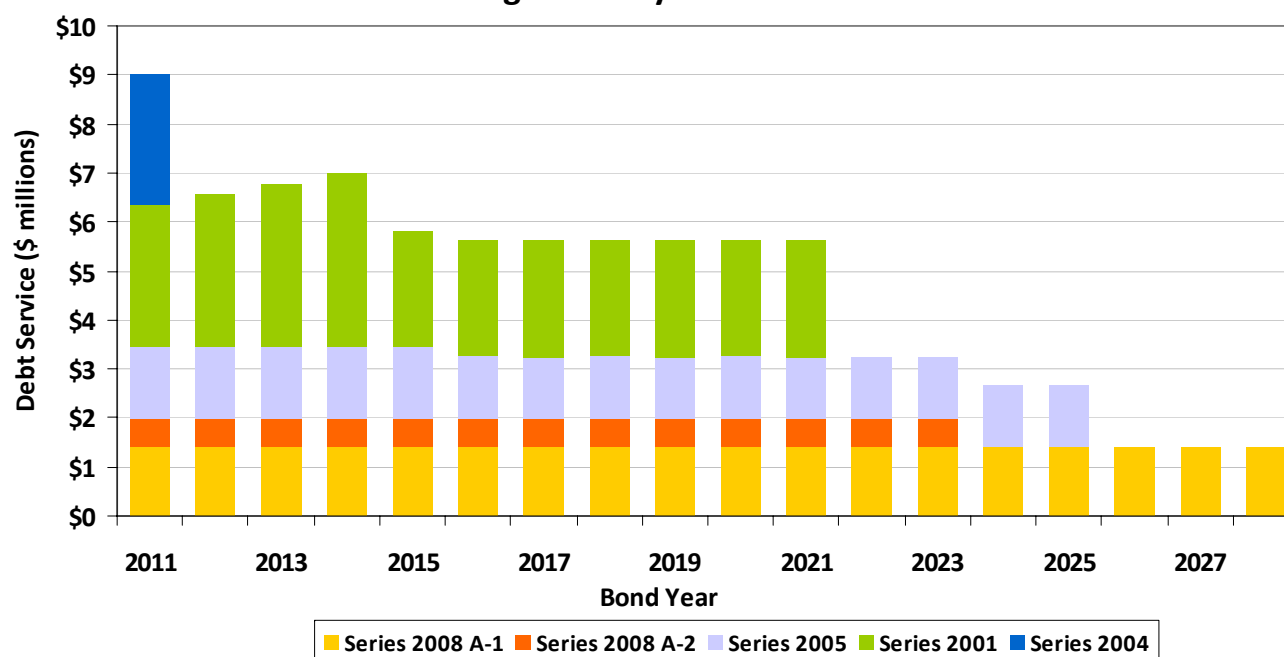
- Leads the County and financing team throughout the entire bond financing process
- Provides recommendations regarding the optimal structure and timing of the bonds
- Guides County through the credit process and securing a bond rating
- Conducts thorough due diligence of legal documents
- Markets and sells bonds to investors and assumes risk of underwriting those bonds which remain unsold
- Prepares post-sale analysis including a summary of market conditions and results of comparable transactions

Existing General Fund Debt Profile

General Fund Debt Profile

Issue	Outstanding Par	Final Maturity	Call Feature	Current Ratings
2008 Certificates of Participation, Series A-1	\$ 17,000,000	12/1/2028	12/1/2013 @ 100	Aa3/AA+
2008 Certificates of Participation, Series A-2	6,600,000	12/1/2023	12/1/2018 @ 100	Aa3/AA+
2005 Certificates of Participation	14,725,000	3/1/2025	3/1/2015 @ 100	Aa3/AA+
2004 Certificates of Participation	2,625,000	3/1/2011	Non-Callable	Aa3/AA+
2001 Certificates of Participation	24,025,000	12/1/2021	12/1/2011 @ 102	Aa3/AA+
Total Outstanding: \$		64,975,000		

Existing Debt Payment Structure



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Projects to be Financed

Project ⁽¹⁾	Amount
Historic Courthouse Public Defender's Remodel	\$5,500,000
Emergency Operations Center	5,410,000
Betteravia Administration Building	6,100,000
Total:	\$17,010,000

(1) Projects received RZEDB allocation.



Overview of Certificates of Participation (“COPs”)

- Certificates of Participation are lease financings that allow local agencies to finance capital projects at low costs and in an efficient manner
- The County’s existing COPs have all been issued on a tax-exempt basis
- Lease Mechanics:
 - An asset is leased from the County to the Finance Corporation and is immediately leased back
 - Base “rental” payments are made by the County to the trustee, on behalf of the finance corporation which has assigned its right to the lease payments
 - Lease payments are used to make principal and interest debt service payments on the COPs
- COPs are sold to investors
- Payments are secured by the County’s general fund

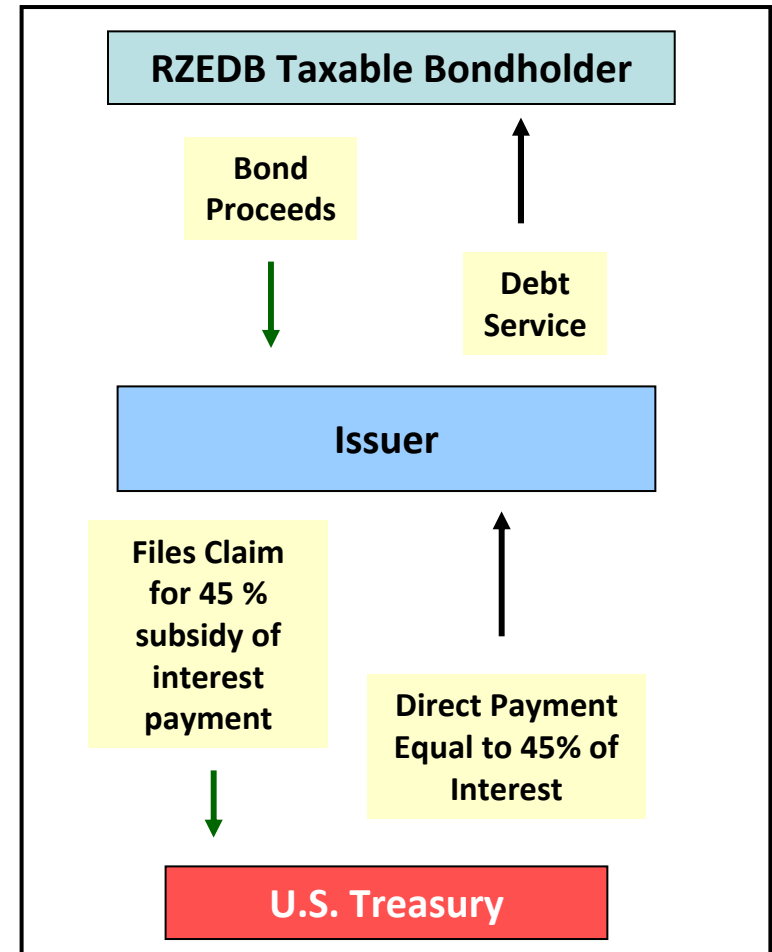


Overview of Recovery Zone Economic Development Bonds (“RZEDBs”)

- The 2009 Recovery Act created the Recovery Zone Economic Development Bonds Program which provides lower interest-cost financing to local municipalities until December 31, 2010 ⁽¹⁾
- The County received a total allocation for \$18.95 million of RZEDBs from the California Debt Limit Allocation Committee on March 24, 2010
- RZEDB Allocations per Project ⁽²⁾ (includes debt service reserve fund and cost of issuance):
 - Emergency Operations Center = \$6.2 million
 - Betteravia Admin. Building = \$6.3 million
 - Historic Courthouse Remodel = \$6.4 million
- Interest on RZEDBs is paid to investors at a higher “taxable” rate
- Federal subsidy equal to 45% of interest will be paid to the County by the IRS every year over the life of the bonds

(1) Extension of RZEDB Program past the 12/31/10 deadline is pending U.S. Senate approval, having passed the House on 3/23/10.

(2) Total RZEDB allocation per project includes project costs, debt service reserve fund, and costs of issuance.



RZEDBs Benefits & Considerations/Risks

Potential Benefits

- County's "post-subsidy" net interest rate cost will be lowered by up to 1.00% vs. traditional tax-exempt interest rates
 - Break-even point between tax-exempt and RZEDB yields occurs in 2015

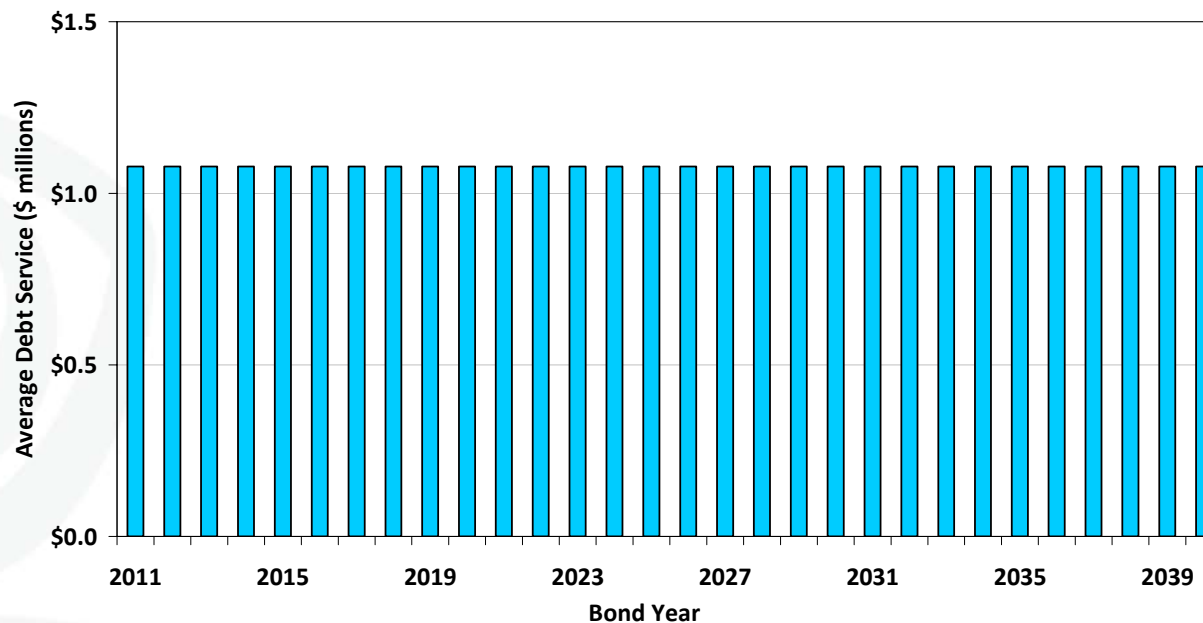
Considerations and Potential Risks

- Delayed and/or suspended IRS subsidy payments
- Reclaimed Subsidy: The IRS may offset the subsidy payment for amounts owed to the Federal government for another County program
- Additional administrative burden due to reporting requirements and IRS filings to receive 45% subsidy payments
- Costs of issuance limited to 2% if funded by proceeds
- Federal Davis-Bacon prevailing wage rules apply



2010 Certificates of Participation, Series A-1 and A-2 (Taxable)

- Approximately \$17 million net proceeds
- Hybrid tax-exempt/taxable RZEDB structure
- Fixed interest rates
- Cash-funded debt service reserve fund from bond proceeds (used toward final year debt service payment)
- 30-year final maturity
- Make-whole call option ⁽¹⁾



(1) To be determined. Subject to market conditions.



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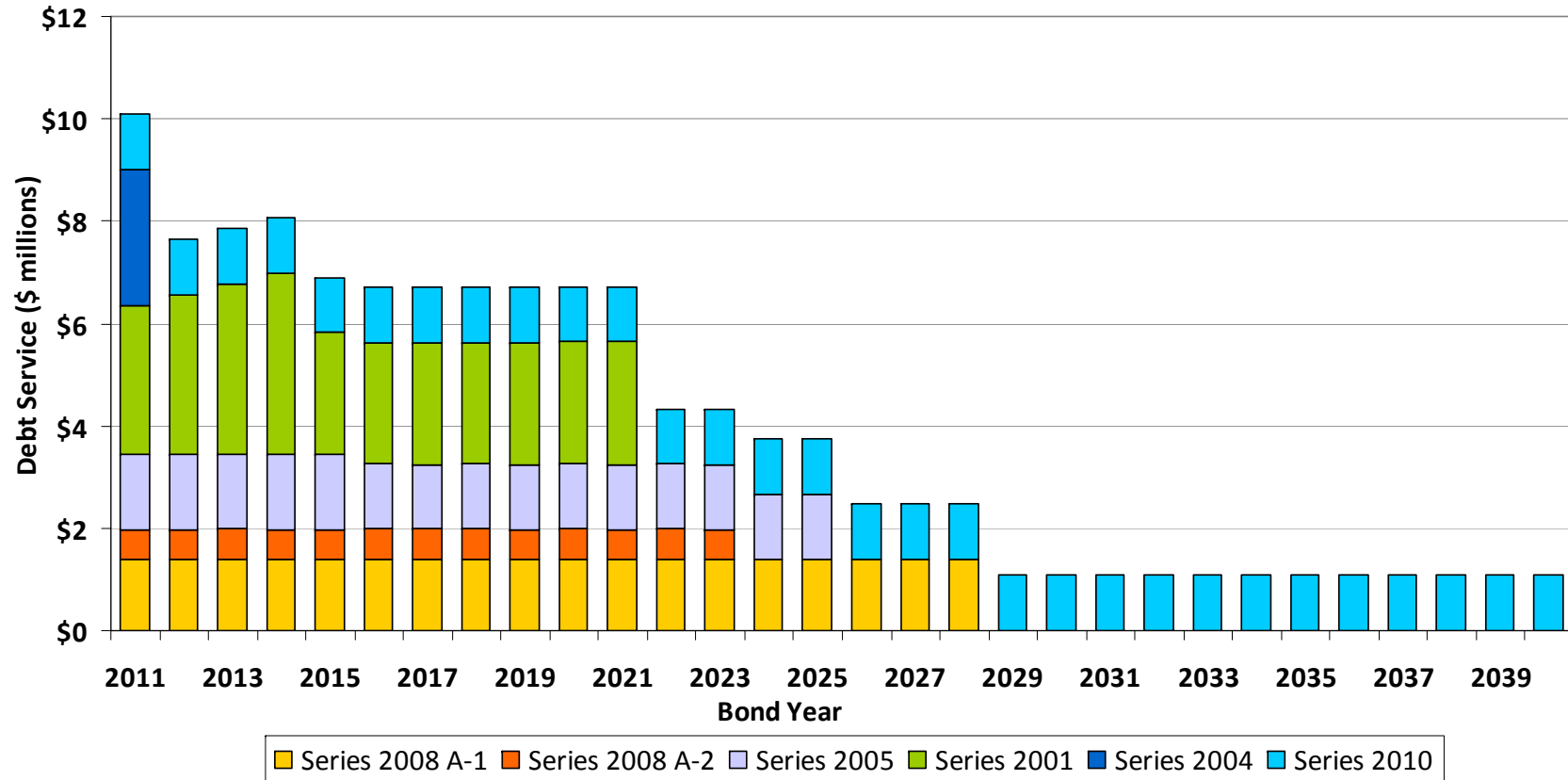
Estimated Sources & Uses

	Series 2010 A-1 (Tax-Exempt)	Series 2010 A-2 (Taxable)	Total
Par Amount	\$ 1,525,000	\$ 17,500,000	\$ 19,025,000
Premium	82,998	-	82,998
Total Sources	\$ 1,607,998	\$ 17,500,000	\$ 19,107,998
Project Fund	\$ 1,431,444	\$ 15,578,556	\$ 17,010,000
Debt Service Reserve Fund	160,800	1,621,459	1,782,259
Costs of Issuance	15,754	299,985	315,739
Total Uses	\$ 1,607,998	\$ 17,500,000	\$ 19,107,998



Proposed General Fund Debt Profile

Existing & Proposed Debt Payment Structure



At-A-Glance Comparison of Fiscal Impacts

Scenario 1: Hybrid COP ⁽¹⁾	<u>30-Year Financing</u>	<u>20-Year Financing</u>
Average Annual Debt Service:	\$1.08 MM	\$1.36 MM
Total Debt Service Over Term:	\$32.3 MM	\$27.2 MM
Scenario 2: Tax-Exempt COP	<u>30-Year Financing</u>	<u>20-Year Financing</u>
Average Annual Debt Service:	\$1.2 MM	\$1.5 MM
Total Debt Service Over Term:	\$36.2 MM	\$29.4 MM

(1) Debt service figures for hybrid COPs represent amounts net of 45% subsidy



Future Actions

Date ⁽¹⁾	Action Item
May 10, 2010	Receive Rating
May 17, 2010	Finance Corporation Meeting
May 18, 2010	Board of Supervisors Meeting
May 19, 2010	Print and Post Preliminary Official Statement
May 27, 2010	Pricing
June 10, 2010	Closing

(1) Preliminary



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**Questions
&
Comments**

Thank You!

