



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Treasurer-Tax Collector  
Department No.: 065  
For Agenda Of: 3/13/12  
Placement: Departmental  
Estimated Tme: 15 Minutes  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Harry E. Hagen, CPA, CPFO, CPFIM, Treasurer-Tax Collector  
Director(s) 568-2490  
Contact Info: Kim Tesoro, CPA, CPFO, Investment and Debt Officer  
568-2153  
**SUBJECT: Montecito Retirement Association Conduit Financing**

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Debt Advisory Committee

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A. Hold a public hearing and adopt a resolution approving the form and authorizing the execution of certain documents in connection with the installment sale financing of facilities for Montecito Retirement Association and directing certain actions with respect thereto;
- B. Approve and authorize the Chair to execute a contract, in the amount of \$35,000, appointing Quint & Thimmig to perform legal services as bond counsel;
- C. Approve and authorize the Chair to execute a contract, in the amount of \$10,000, appointing Orrick, Herrington & Sutcliffe to perform legal services as special issuer's counsel;
- D. Authorize the County to be reimbursed for costs pursuant to the financing in an amount not to exceed \$30,000; and
- E. Determine that the above actions are government fiscal activities that are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines.

**Summary Text:**

The Montecito Retirement Association is requesting that the County hold a Tax and Equity Fiscal Responsibility Act hearing. They are also requesting that the County act as a conduit issuer to refinance 2004 Certificates of Participation, in an amount not to exceed \$12 million.

Federal law provides a process for a qualified 501(c)(3) organization to participate in a tax-exempt financing under Section 147(f) of the Internal Revenue Code. The Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA) requires the legislative body of the local agency in which the project will be located to hold the TEFRA hearing in order for the bonds to be tax-exempt.

The item was considered by the Santa Barbara County Debt Advisory Committee on January 31, 2012 and was unanimously approved for recommendation to the County Board of Supervisors.

**Background:**

The Montecito Retirement Association (MRA) is a California non-profit corporation as defined in Section 501(c)(3) of the Internal Revenue Code. MRA was formed in 1973 for the purpose of operating Casa Dorinda, a continuing care retirement community for the elderly in Montecito.

In March of 2004, MRA sold via public sale \$19,310,000 in certificates of participation (COPs) to refinance certificates of participation issued by MRA in 1993 to fund improvements and additions to Casa Dorinda. The County acted as the conduit issuer for both of those financings. The 2004 COPs were insured by ACA, were issued with a 20 year term and are now callable at par.

MRA is requesting that the County again act as a conduit issuer and assist them in refinancing the 2004 COPs. This will allow MRA to achieve net cash flow savings of approximately \$1,350,000, shorten the life of the debt from 12 to 10 years, and replace publicly held debt obligations with a fixed-rate obligation held by Santa Barbara Bank & Trust. The installment sale refinancing would be in an amount not to exceed \$12,000,000 with an interest rate of 3.425%.

**Fiscal Impact:**

The County is not obligated to pay principal or interest payments on the financing. MRA is responsible for all debt service payments. MRA will also reimburse the County for its costs and expenses arising out of or in connection with the financing, including staff salaries and benefits and special issuer's counsel, in an amount not to exceed \$30,000. Additionally, bond counsel fees are the responsibility of MRA and will be paid from the proceeds of the financing as costs of issuance.

**Special Instructions:**

Please return one signed resolution, one signed Agreement for Special Issuer Counsel Services with Orrick, Herrington & Sutcliffe, and one signed Agreement for Legal Services with Quint & Thimmig to Kim Tesoro in the Treasurer-Tax Collector's Office.

**Attachments:**

1. Resolution approving the form and authorizing the execution of certain documents in connection with the installment sale financing of facilities for Montecito Retirement Association and directing certain actions with respect thereto
2. Montecito Retirement Association Resolution
3. First Installment Sale Agreement
4. Second Installment Sale Agreement
5. First Assignment Agreement
6. Second Assignment Agreement
7. Deed of Trust
8. Investor Letter
9. Reconveyance of 2004 Deed of Trust
10. Special Counsel Opinion
11. County Redemption Request and Instructions to Trustee
12. Agreement for Special Issuer Counsel Services with Orrick, Herrington & Sutcliffe
13. Agreement for Legal Services with Quint & Thimmig

**Authored by:**

Kim Tesoro, CPA, CPFO, Investment and Debt Officer