



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: March 19, 2024
Placement: Departmental
Estimated Time: 15 minutes
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
Board of Directors of the Santa Barbara County Fire Protection District

FROM: Department *for Hagen* Harry E. Hagen, CPA, CPFA, CFIP, CGIP, CPFO, CCMT, ACPFIM
Director(s) Treasurer-Tax Collector

Contact Info: Kimberly A Tesoro, CPA, CPFO, CFIP, CGIP
Assistant Treasurer-Tax Collector, (805) 568-2153

SUBJECT: 2024 Certificates of Participation

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee
Yes

Recommended Actions:

That the Board of Supervisors:

- a) Adopt a resolution authorizing the execution and delivery of a Lease, a Sublease, an Assignment Agreement, a Trust Agreement, an Official Notice of Sale and a Contract of Purchase; Approving execution of Certificates of Participation to finance certain capital improvements; Approving a Preliminary Official Statement for said Certificates of Participation; Authorizing the execution and delivery of an Official Statement and a Continuing Disclosure Agreement; and authorizing certain other actions in connection with the lease financing in an aggregate principal amount not to exceed \$130,000,000 and an aggregate true interest cost not to exceed 6.5%;
- b) Authorize the Treasurer-Tax Collector to abandon this issuance if market conditions are deemed financially unfavorable;
- c) Approve Budget Revision Request No. 009604 recording the sale of Certificates of Participation and establishing appropriations in the amount of \$1,027,000 for current year financing costs funded by debt proceeds;

- d) Determine that the above actions are government funding mechanisms and/or fiscal activities that are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines;
- e) Certify that the Board has reviewed and considered the information contained in the Final Mitigated Negative Declaration and make the California Environmental Quality Act (CEQA) Findings required to adopt the Final Mitigated Negative Declaration (GS-042022-19014-MND) for the Proposed Probation Headquarters Building Project, adopt the Final Mitigated Negative Declaration (GS-042022-19014-MND) and adopt the Mitigation Monitoring Plan included in the Final Mitigated Negative Declaration; and
- f) Determine that the Santa Barbara County Main Jail Renovation Project is exempt from the provisions of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Sections 15301, 15302, and 15304 because it consists of replacement or reconstruction, existing facilities, and/or minor alterations to land.

That the Board of Supervisors, acting as the Board of Directors of the Santa Barbara County Fire Protection District:

- a) Approve the 2024 Certificates of Participation financing.

Summary Text: On February 26, 2024 the Debt Advisory Committee (the “DAC”) received an update on a proposed public financing to fund various capital projects within the County. The DAC recommended that the Board of Supervisors approve the financing through the issuance of County Certificates of Participation in an aggregate principal amount not to exceed \$130,000,000 and an aggregate true interest cost not to exceed 6.5%.

Background:

Proposed is the issuance of the 2024 Certificates of Participation (“COPs”) to finance certain capital projects with the County: i) Probation Headquarters Building, ii) Santa Barbara County Main Jail Renovation, iii) Public Safety Radio Network Replacement, iv) Cachuma Lake Recreational Vehicle Park Renovation, v) Regional Fire Communication Center, and vi) New Cuyama Fire Station 27. Aggregate project costs to be financed by the issuance of the 2024 COPs total \$120,000,000. The 2024 COPs are expected to be issued on primarily a tax-exempt basis; however, staff currently anticipates that the Cachuma Lake Recreational Vehicle Park Renovation Project will need to be financed on a taxable basis due to aspects of the County’s Management Agreement with the Bureau of Reclamation (BOR). Staff is currently working with the BOR on potentially obtaining a written approval to demolish (or remove) structures or improvements financed by the COPs if required pursuant to the COP covenants. That prior written approval, along with a covenant by the County in the tax certificate for the 2024 COPs to remove/demolish any property with remaining economic life at the time of any unexpected non-renewal of the Management Agreement, would allow the Cachuma Lake Recreational Vehicle Park Renovation Project to be financed on a tax-exempt basis. Financing cost and debt service estimates provided herein assume a combined tax-exempt and taxable issuance. If the BOR approval is obtained and it is determined that the 2024 COPs can be sold solely on a tax-exempt basis, then it is expected that

the County's financing costs would be lower. Overall, staff is working with the County's Municipal Advisor to ensure that the 2024 COPs are structured to provide the most cost-effective financing for the County.

The County financing team is comprised of staff from the offices of the Treasurer-Tax Collector, County Executive Office, County Counsel, and Auditor-Controller. Outside financing team members appointed by the County include: KNN Public Finance, LLC as the Municipal Advisor; Orrick, Herrington and Sutcliffe as Special Legal Counsel; Stradling, Yocca, Carlson & Rauth as Disclosure Counsel; and US Bank, NA as Trustee. The underwriter is expected to be awarded through a competitive bid process pursuant to the Official Notice of Sale. In the event that the Treasurer-Tax Collector determines that it is in the best interest of the County to sell the 2024 COPs via a negotiated method of sale, an underwriter will be selected through a competitive procurement process and a Contract for Purchase would be executed on the date of sale.

The following information is made available in accordance with California legislation as codified in Government Code Section 5852.1 to provide certain public disclosures related to the 2024 COPs. All figures are estimates and are subject to bond sale and market conditions:

- A. True Interest Cost of the 2024 COPs. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the 2024 COPs, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the COPs, is 3.9%.
- B. Finance Charge of the 2024 COPs. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the COPs, which means the sum of all fees and charges paid to third parties (or costs associated with the 2024 COPs), is \$1,026,238.
 - Cost of Issuance \$475,000
 - Underwriters' Discount \$551,238
- C. Net proceeds of the COPs. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the County for the sale of the 2024 COPs less the finance charge of the 2024 COPs described in B above, is \$119,705,000.
- D. Total Payment Amount for the 2024 COPs. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the County, through the payment of principal and interest, will make to pay debt service on the 2024 COPs plus the finance charge of the 2024 COPs described in paragraph B above not paid with the proceeds of the 2024 COPs calculated on the final maturity of the 2024 COPs, is \$173,930,266.

Pursuant to state CEQA requirements and the County's CEQA guidelines, a Draft Mitigated Negative Declaration was prepared to evaluate the environment impacts of the proposed Probation Headquarters building. No public comments were received, and a Final Mitigated Negative Declaration was prepared.

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Fiscal and Facilities Impacts:

Annual debt service is required to be appropriated annually in the County's budget by the covenants of the issuance. Debt service will be paid semi-annually commencing in the 2024-2025 fiscal year. A budget revision to allow the proceeds to be posted on the anticipated May 2024 closing date has been prepared (see attachment 12).

Fiscal Analysis:

The final interest rate and annual required debt payments will be fixed at the time of sale of the 2024 COPs. Based on current market conditions, the true interest cost is expected to be 3.9%. Total gross debt service payments are estimated to be \$173,930,266 and average annual debt service is estimated at \$8,696,513. The 2024 COPs are payable from installment payments made primarily from the County's general revenues.

Special Instructions:

Please return one signed original resolution to the Treasurer Tax-Collector's office, Attention: Kim Tesoro.

Attachments:

1. Resolution of the Board of Supervisors authorizing the execution and delivery of a Lease, a Sublease, an Assignment Agreement, a Trust Agreement, an Official Notice of Sale and a Contract of Purchase; Approving execution of Certificates of Participation to finance certain capital improvements; Approving a Preliminary Official Statement for said Certificates of Participation; Authorizing the execution and delivery of an Official Statement and a Continuing Disclosure Agreement; and Authorizing certain other actions in connection with the lease financing.
2. Lease
3. Sublease
4. Trust Agreement
5. Assignment Agreement
6. Notice of Intention to Sell
7. Official Notice of Sale
8. Contract of Purchase
9. Preliminary Official Statement
10. Continuing Disclosure Agreement
11. Sources and Uses of Funds (Estimated)
12. Budget Revision
13. Notice of Exemption for Santa Barbara County Main Jail Renovation
14. Final Mitigation Negative Declaration for Probation Headquarters Building Project
15. Presentation