



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: 11/15/16
Placement: Departmental
Estimated Tme: 10 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Harry E. Hagen, CPA, CPFO, ACPFIM, CFIP, Treasurer – Tax
Director(s) Collector
(805) 568 – 2490 *H. Hagen*
Contact Info: Jennifer Christensen, JD MBA CPFO CFIP, Chief Investment Officer
(805) 568 – 2925

SUBJECT: California Municipal Finance Authority Financing of Tax-Exempt Private Activity
Bonds On Behalf of Westmont College

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee

Recommended Actions: Consider and Adopt a Resolution:

- A) Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (“TEFRA”) regarding the issuance by the California Municipal Finance Authority of revenue bonds in an aggregate principal amount not to exceed \$80,000,000, with the proceeds to be used by Westmont College for the purpose of financing and refinancing the acquisition, construction, improvement, renovation, upgrading and equipping of certain educational facilities and certain other matters relating thereto; and
- B) Adopt a resolution approving the issuance of the California Municipal Finance Authority Revenue Bonds (Westmont College), Series 2016 in an aggregate principal amount not to exceed \$80,000,000 for the purpose of financing and refinancing the acquisition, construction, improvement, renovation, upgrading and equipping of certain educational facilities and certain other matters relating thereto; and
- C) Determine that the above action involves government funding mechanisms and/or fiscal activities and is not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines.

Summary Text:

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 County has the limited role of approving the financing, but is not a party to the issuance and assumes no liability by its approval. 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 California Municipal Finance Authority (CMFA), as the issuer of tax-exempt bonds for Westmont College, has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing.

Westmont College is a 501(c)(3) organization and will use the proceeds for capital improvements relating to the College's educational facilities located at, or adjacent to, the College's Montecito Campus facilities at 955 La Paz Road, Santa Barbara, California.

This item was considered by the Santa Barbara County Debt Advisory Committee on October 20, 2016 and was approved for recommendation to the County Board of Supervisors.

Background:

Westmont College was founded in 1937 and has been a part of Santa Barbara since 1945. The college is an independent, co-educational, four year Christian college offering a liberal arts curriculum. The college enrolls about 1,200 students on campus each semester with another 100 students participating in programs away from campus.

The proceeds of the Bonds will be used by Westmont College (the "College") pursuant to a plan of financing to: (a) finance and refinance the Series 2016 Project, defined below; (b) refinance all or a portion of the College's outstanding California Municipal Finance Authority Variable Rate Demand Revenue Bonds (Westmont College) Series 2010A (the "Series 2010A Bonds"), issued for the Series 2010A Project, defined below; (c) pay funded interest with respect to the Bonds; and (d) pay costs of issuance and certain interest with respect to the Bonds.

The term "Series 2016 Project" means financing and refinancing the acquisition, construction, improvement, renovation, upgrading and equipping of certain educational facilities, including related administrative facilities, site improvements, and parking, located at the College's Montecito Campus facilities at 955 La Paz Road, Santa Barbara, California 93108 (the "Campus"), including but not limited to, (a) a 45,000 square foot residence hall facility; and (b) various other qualified educational facilities, buildings, improvements and infrastructure, as determined from time to time by the College, located at or adjacent to the Campus.

The term "Series 2010A Project" means (a) financing or refinancing the costs of acquisition, construction, improvement, renovation, upgrading or equipping of educational facilities located at or adjacent to the Campus, including (i) a 28,000 square foot visual arts building; (ii) a 42,000 square foot science building; (iii) a 1,500 square foot observatory; (iv) a central plant building to heat and cool the new buildings being constructed; (v) various infrastructure improvements on the Campus, including,

without limitation, construction of a new perimeter road around and throughout the Campus; (vi) new baseball and soccer fields, an all-weather track, stadium seating areas, dugouts and storage and restroom facilities; (vii) a 44,000 square foot residence hall facility; and (viii) various other qualified educational facilities, buildings, improvements and infrastructure, as determined from time to time by the College; (b) funding a debt service reserve fund with respect to the 2010A Bonds; (c) paying capitalized interest on the 2010A Bonds; and (d) paying the costs of issuance of the 2010A Bonds.

The Series 2016 Project and the Series 2010A Project are, or will be, owned and operated by the Borrower, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds would be tax-exempt private activity bonds for the purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located.

In order for the CMFA to proceed with the issuance of the tax-exempt bonds, the County, as the governmental entity having jurisdiction over the site, must (1) conduct a public hearing allowing members of the public to comment and (2) approve of the CMFA's issuance of the Bonds on behalf of Westmont College.

The County's approval of the issuance of the Bonds by the CMFA would be solely for the purposes and in accordance with Section 147(f) of the Internal Revenue Code and Section 4 of the Agreement. The Bonds would not constitute an indebtedness or obligation of, or involve a pledge of the faith and credit of the County. The issuance of the Bonds would be subject to the approval by CMFA of all financing documents relating thereto to which the Authority is a party. The County shall have no responsibility or liability whatsoever with respect to the Bonds. The approval by the County of the issuance of the Bonds is neither an approval of the underlying credit issues of the proposed project, nor an approval of the financial structure of the Bonds. The County makes no express or implied opinion or recommendation about the transaction, revenue streams, disclosure, or repayment structure related to the Bonds.

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 250 municipalities, including the County of Santa Barbara, have become members of the CMFA.

The CMFA JPA Agreement provides that the CMFA is a public entity, separate and apart from each member executing an Agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such Agreement.

Bank of the West has been selected by Westmont College to be the direct lender for a \$80,000,000 private placement of the tax-exempt bonds issued by the CMFA to provide financing for the construction to their campus in Montecito.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA.

Performance Measure:

N/A

Fiscal and Facilities Impacts:

Budgeted: N/A

Fiscal Analysis:

Costs are covered by available budget within the impacted departments. Costs incurred by the County, in addition to those related to the Board of Supervisor's holding the TEFRA hearing and the meeting of the Debt Advisory Committee, include staff time of the Treasurer – Tax Collector, Auditor – Controller, and County Counsel for review of the item prior to its presentation to the Debt Advisory Committee and to the Board of Supervisors.

The CMFA will act as the issuer and perform all of the necessary legal and administrative responsibilities associated with the financing. Westmont College is responsible for all debt service payments. This financing does not impact the credit rating of the County.

Special Instructions:

Please return two signed originals to the Treasurer – Tax Collector, Attention: Jennifer Christensen.

Attachments:

1. RESOLUTION APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY REVENUE BONDS (WESTMONT COLLEGE), SERIES 2016 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$80,000,000 FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION, UPGRADING AND EQUIPPING OF CERTAIN EDUCATIONAL FACILITIES AND CERTAIN OTHER MATTERS RELATING THERETO
2. PROOF OF PUBLICATION: NOTICE OF PUBLIC HEARING

Authored by:

Jennifer Christensen, Chief Investment Officer, Office of the Treasurer – Tax Collector