



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: County Executive Office
Department No.: 012
For Agenda Of: June 20, 2017
Placement: Departmental
Estimated Time: 5 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Contact Info: Mona Miyasato, County Executive Officer, 805-568-3400
Dennis Bozanich, Deputy County Executive Officer, 805-568-3400

SUBJECT: California Enterprise Development Authority Financing of Tax-Exempt Private Activity Bonds on Behalf of Dunn School

County Counsel Concurrence

As to form: Yes

Other Concurrence: Debt Advisory

As to form: Pending

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act ("TEFRA") regarding the issuance, not to exceed \$8,000,000, of California Enterprise Development Authority (CEDA) Revenue Obligations (the "Dunn Obligations") for the benefit of Dunn School, a California nonprofit public benefit corporation for the purpose of financing and refinancing the costs of acquisition, construction, installation, rehabilitation, equipping and furnishing of educational facilities at 2555 West Highway 154, Los Olivos, California and to pay certain costs of issuance in connection with the financing; and
- B. Adopt a resolution approving the issuance by the California Enterprise Development Authority of its Revenue Obligations (the "Dunn Obligations") for the benefit of Dunn School in an aggregate amount not to exceed \$8,000,000 for the purpose of financing and refinancing the cost of the acquisition, construction, installation, rehabilitation, equipping and furnishing of certain property, providing the terms and conditions for such obligations and other matters relating thereto; and
- C. Determine that the above actions involve government funding mechanisms and/or fiscal activities and are 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 Enterprise Development Authority (CEDA), as the issuer of tax-exempt bonds for Dunn School, has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing.

Dunn School is a 501(c)(3) organization and will use the proceeds for capital improvements of educational facilities at 2555 West Highway 154, Los Olivos, California.

This item was considered by the Santa Barbara County Debt Advisory Committee on June 15, 2017 and was approved for recommendation to the County Board of Supervisors.

Background:

The California Enterprise Development Authority (CEDA) is a joint powers authority (JPA) established by the California Association for Local Economic Development (CALED) whose purpose is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions. Federal and state laws provide the ability for cities and counties to join together under cooperative agreements to form joint powers authorities to issue tax-exempt and taxable bonds to fund projects that provide a public benefit and serve the needs of residents within the jurisdictions of the participating members. All cities and counties in California have the ability to act as an issuer of conduit revenue bonds, but many jurisdictions utilize joint powers authorities primarily for economies of scale, to access specialized transaction knowledge and resources, and to avoid using valuable local staff time on these types of transactions.

CEDA is a joint powers authority created by the cities of Selma, Lancaster and Eureka. There are more than 175 additional cities and counties who are associate members of CEDA, including the counties of Alameda, Imperial, Marin, Placer, Riverside, Sacramento, San Bernardino, Santa Clara, San Diego, San Francisco, Stanislaus, Sonoma, Ventura and Yolo. Pursuant to Resolution No. 10-288, adopted on October 26, 2010, the County of Santa Barbara became an associate member of CEDA. CEDA's activities are dedicated to providing economic development assistance to member jurisdictions as an extension of the economic development assistance provided by CALED to its members.

Federal law requires a public hearing before the Board of Supervisors prior to any bond issuance by CEDA for projects under the County's jurisdiction in order for the bonds to be tax exempt. If the Board of Supervisors does not approve the project, CEDA cannot issue bonds.

DUNN SCHOOL

Founded in 1957, Dunn School ("Dunn" or the "School") is an independent, co-educational day and boarding school for grades 6-12. The School's historic 55-acre campus is located among the wineries and horse ranches of Los Olivos, California, approximately 30 miles northwest of Santa Barbara. In fall 2016, Dunn began the school year with 246 students – the second largest student body in the School's 60-year history. Dunn is devoted to the development of well-rounded leaders and life-long learners. The School utilizes a whole-student educational approach that integrates rigorous academics with an intentional focus on the characteristics of leadership: emotional wellness, physical readiness, social responsibility, and moral courage. To further this mission, Dunn

plans to construct the Cindy and Adam Bronfman Leadership Center to provide much-needed space on campus for contemporary teaching, experiential learning, and social gathering.

CEDA will loan the proceeds of the Dunn Obligations to Dunn School to:

- i. Finance and refinance the costs of acquisition, construction, installation, rehabilitation, equipping and furnishing of educational facilities at 2555 West Highway 154, Los Olivos, California 93441, including, but not limited to:
 - a. Master Facilities Plan and CUP design services, all campus fire suppression water line, new gymnasium locker rooms, senior dorm comprehensive remodel, new faculty cottages (west and east), and flood retention basin;
 - b. Construction of the Cindy and Adam Bronfman Student Leadership Center, a 6,224 square foot, one story facility (with mezzanine) that will house four employee offices, two-20 person conference rooms, three-50 person meeting spaces, a mezzanine for quiet study, a student run café, and restroom and changing facilities; and
 - c. Other routine capital expenditures included in the Borrower's capital budget over the next three years and located at the aforementioned location (the "Dunn Facilities"), and
- ii. Pay certain costs of issuance in connection with the financing.

Because the Dunn Facilities are located within the County's jurisdiction and interest on the Dunn Obligations may be tax-exempt, a public hearing and the approval of the Dunn Obligations by the Board of Supervisors is required by the Internal Revenue Code of 1986.

Performance Measure: None

Contract Renewals and Performance Outcomes: None

Fiscal and Facilities Impacts:

Budgeted: Not Applicable

Fiscal Analysis:

Narrative:

There is no financial impact to the County. CEDA will act as issuer and perform all of the necessary legal and administrative responsibilities associated with the financings. The Dunn Obligations are special, limited obligations of CEDA payable solely through the repayment of the loans from CEDA which repayment is used to pay the principal of and interest on the Dunn Obligations. The Dunn Obligations issued by CEDA are not an obligation of the County or any member of CEDA. Neither the faith or credit, nor the taxing power of the County, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Dunn Obligations.

Key Contract Risks: Not Applicable

Staffing Impacts: Not Applicable

Legal Positions:

FTEs:

Special Instructions: Provide Dennis Bozanich, Deputy County Executive Officer, with three copies of the signed resolution.

Attachments:

Attachment A: Resolution

Attachment B: Hearing Notice and Proof of Publication

Authored by: Dennis Bozanich, Deputy County Executive Officer, 805-568-3400