



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: 3/20/07  
Placement: Administrative  
Estimated Tme: 3/27: 15 Minutes  
Continued Item: No  
If Yes, date from:  
Vote Required: Select\_Vote

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TO: Board of Supervisors

FROM: Department Director(s) Name & Phone Bernice James, Treasurer – Tax Collector  
568 - 2490  
Contact Info: Name & Phone Stacey Matson, Investment & Debt Officer  
568 - 2158

SUBJECT: **Set a Public Hearing on March 27, 2007 to consider recommendations regarding issuing Certificates of Participation for the Music Academy of the West, as a conduit issuer, in an amount not to exceed \$17 million.**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Debt Advisory Committee

**Recommended Actions:**

Set a Public Hearing to be held on March 27, 2007 to:

- a.) Consider the Adoption of a “Resolution Approving the execution and Delivery of Certificates of Participation Relating To the Music Academy of the West”, in an amount not to exceed \$17 million;
- b.) Consider the Adoption of a “Resolution Approving the Form and Authorizing the Execution of Certain Documents in Connection With the Installment Sale Financing of Facilities for the Music Academy of the West and Directing Certain Actions, With Respect Thereto.”; and
- c.) To Consider and Authorize a Financing Fee of \$5,000.

**Summary Text:**

The Music Academy of the West is requesting that the County hold a Tax and Equity Fiscal Responsibility Act hearing. They are also requesting the County act as a conduit issuer of tax-exempt Certificates of Participation (COP), in an amount not to exceed \$17 million, for a maximum term of thirty years.

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.

This item was considered by the Santa Barbara County Debt Advisory Committee on February 23, 2007 and was unanimously approved for recommendation to the County Board of Supervisors.

**Background:**

The Music Academy of the West (MAW) is a California non-profit public benefit corporation as defined in Section 501(c)(3) of the Internal Revenue Code. It was formed in 1947 to operate a summer music academy and a school for young classical musicians. Its campus facilities were donated in 1951. At that time significant improvements were made to buildings that were constructed in 1909 and 1913.

MAW is requesting that the County hold the required TEFRA public hearing so that tax-exempt Certificates of Participation may be issued on their behalf by Santa Barbara County, as a conduit issuer, in an amount not to exceed \$17 million, for a term of thirty years. The MAW estimates the total project costs will be \$30 million and proposes to utilize its cash reserves to fund half of its cost.

County assistance would take the form of issuing the tax-exempt Certificates of Participation. The proceeds from their sale will be used to finance the projects described below.

The MAW is proposing to use the proceeds from this issuance to finance the construction and other costs associated with a project on their campus in Montecito. Proposed are three phases for the project. Phase I includes improvements to the main recital hall, site improvements (76 new parking spaces, improvements to existing parking, peripheral landscaping to screen certain structures, and improvements of roads and underground utilities), and improvements to two smaller structures (the Rack and Treasure House), where used clothing and household items are sold, and a third structure that is used as a practice studio. Phase II includes improvements to the main house that contains administration, accounting, marketing, conference rooms, a small recital hall, the kitchen, and a dining room. Phase II also includes a two-story addition (basement and first floor) to the main house which will result in five larger practice and rehearsal studios. Phase III includes renovations to two separate practice/rehearsal studios and additional renovations to the Rack and the Treasure House.

The MAW will provide a pledge of its revenues to the Trustee of the COP as security for the issuance. A debt service reserve fund equal to one year's maximum annual debt service is also required to be established and maintained until the final debt service payment is made. No property of the County is in any way subject to any security interest and there is no recourse against the County in the event of a default by the MAW.

The MAW has received a credit assessment of "A-" from Fitch Ratings. The County's Debt Management Policy requires an "A" rating for a conduit financing. Radian Asset Assurance is willing to provide bond insurance to the MAW that would raise the credit rating to "AA". This insurance will be in place if the County agrees to the conduit financing.

The County has participated in a similar hearing and conduit financing on behalf of the Montecito Retirement Association (dba Casa Dorinda).

**Performance Measure:**

N/A

**Fiscal and Facilities Impacts:**

Budgeted:

**Fiscal Analysis:**

Narrative:

There is no financial impact to the County. The MAW is responsible for all debt service payments. This financing does not impact the credit rating of the County, but is disclosed in the Comprehensive Annual Financial Report.

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

**Special Instructions:**

None.

**Attachments:**

Resolution Approving Execution and Delivery of certificates of Participation Relating to the Music Academy of the West

Resolution Approving the Form and Authorizing the Execution of Certain Documents in Connection with the Installment Sale Financing of Facilities for the Music Academy of the West and Directing Certain Acts with Respect Thereto

NOTE: Signed resolutions and all legal documents will be submitted with the Hearing Board Letter.

**Authored by:**

Stacey Matson, Investment & Debt Officer, Office of the Treasurer – Tax Collector

**cc:**