



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: 5/18/2021
Placement: Departmental
Estimated Tme: 5 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Harry E. Hagen, CPA, CPFA, CPFO, CFIP, CGIP, ACPFIM
Director(s) Treasurer – Tax Collector
(805) 568 – 2490
Contact Info: LeAnne Hagerty, CPA, CPFO
Treasury Finance Chief
(805) 568 – 2498

SUBJECT: California Municipal Finance Authority Financing of Tax-Exempt Private Activity
Notes 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: That the Board of Supervisors:

- A) Hold a public hearing in compliance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) regarding the re-issuance by the California Municipal Finance Authority (CMFA) of tax-exempt variable rate revenue notes, for the purpose of refinancing the acquisition, construction, improvement, renovation, upgrading and equipping of education facilities for Westmont College, and consider public comment; and
- B) Adopt a resolution of the Board of Supervisors of the County of Santa Barbara approving the reissuance, for federal income tax purposes, of the California Municipal Finance Authority Variable Rate Revenue Notes, Series 2016A in an aggregate principal amount not to exceed \$60,000,000 for the purpose of refinancing the acquisition, construction, improvement, renovation, upgrading and equipping of certain educational facilities, for the benefit of Westmont College and certain 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. TEFRA requires the legislative body of the local agency in which the project will be located to hold a TEFRA hearing in order for the notes to be tax-exempt. 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.

Westmont College (the “Borrower”), has requested that The California Municipal Finance Authority (CMFA), participate in the reissuance of its tax-exempt Variable Rate Revenue Notes, Series 2016A (the “2016A Notes”). CMFA as the issuer of tax-exempt notes for Westmont College, has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing.

A TEFRA hearing was held and a resolution approved by the Board of Supervisors for this project on November 15, 2016. The 2016A Notes were originally issued in an amount of \$80,000,000, and as reissued are referred to as the “Reissued Notes.” The Borrower desires to re-amortize the maturity schedule with the purchaser of the 2016A Notes. This re-amortization triggers a technical reissuance of the Notes, thus a new TEFRA hearing is required per federal regulation. The Reissued Notes will have a maximum aggregate principal amount not to exceed \$60,000,000. The Reissued Notes, will be “qualified 501(c)(3) bonds” as defined in Section 145 of the Code.

This item was considered by the Santa Barbara County Debt Advisory Committee on April 23, 2021 and was approved for recommendation to the County Board of Supervisors.

Background:

CMFA and Westmont College have provided the following information:

CMFA

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 300 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.

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. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities.

In order for the CMFA to proceed with the issuance of the tax-exempt Notes, 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 Notes on behalf of the Borrower.

The County's approval of the issuance of the Notes 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 Notes would not constitute an indebtedness or obligation of or involve a pledge of the faith and credit of the County. The issuance of the Notes 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 Notes. The approval by the County of the issuance of the Notes is neither an approval of the underlying credit issues of the proposed project, nor an approval of the financial structure of the Notes. The County makes no express or implied opinion or recommendation about the transaction, revenue streams, disclosure, or repayment structure related to the Notes.

Westmont College

Westmont College was founded in 1937 by a group led by Ruth Kerr, president of Kerr Manufacturing Co., in Los Angeles, California. When it outgrew its campus in 1945, the College moved to Santa Barbara, California and is located in a beautiful, wooded section of Montecito on 111 acres with 24 major buildings.

Achieving accreditation in 1958, Westmont began building its facilities and enrollment, reaching its present size in the mid-1980s. The college is an independent, coeducational, four-year Christian college offering a rigorous liberal arts curriculum. The College enrolls about 1,200 students on campus each semester with another 100 students participating in programs away from campus. Students come from 24 states, 11 countries, with 33 denominations. There are 90 full time faculty and 210 staff members. The student to faculty ratio is 12 to 1. Eighty-nine percent of the faculty has doctorates and the average class size is 12 members.

Westmont is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges and is classified as a "Baccalaureate College – Liberal Arts" by the Carnegie Foundation for the Advancement of Teaching. Students come from various foreign countries and from most states across the nation, with the largest concentration from California. Revenues are derived primarily from tuition and other student charges.

The Reissued Notes will be issued to refinance the 2016A Notes, which were issued to:

- (a) finance and refinance the acquisition, construction, improvement, renovation, upgrading and equipping of certain educational facilities, including related administrative facilities, site improvements, and parking, located at the Borrower's Montecito Campus facilities at 955 La Paz Road, Santa Barbara, California 93108 (the "Campus"), including but not limited to,
 - (i) a 45,000 square foot residence hall facility; and
 - (ii) various other qualified educational facilities, buildings, improvements and infrastructure, as determined from time to time by the Borrower, located at or adjacent to the Campus (collectively, the "2016A Project"); and

(b) refinance all or a portion of the Borrower’s outstanding California Municipal Finance Authority Variable Rate Demand Revenue Bonds Series 2010A, issued to, finance or refinance the costs of acquisition, construction, improvement, renovation, upgrading or equipping of educational facilities located at or adjacent to the Campus, including (A) a 28,000 square foot visual arts building; (B) a 42,000 square foot science building; (C) a 1,500 square foot observatory; (D) a central plant building to heat and cool the new buildings being constructed; (E) various infrastructure improvements on the Campus, including, without limitation, construction of a new perimeter road around and throughout the Campus; (F) new baseball and soccer fields, an all-weather track, stadium seating areas, dugouts and storage and restroom facilities; (G) a 44,000 square foot residence hall facility; and (H) various other qualified educational facilities, buildings, improvements and infrastructure, as determined from time to time by the Borrower (the “2010A Project,” and together with the 2016A Project, the “Project”)

The following re-amortization schedule for the Reissued Notes was provided by Westmont College:

	Current Amortization	New Amortization	Difference
January 2022	\$ 5,000,000	\$ 2,400,000	\$ (2,600,000)
January 2023	\$ 3,600,000	\$ 2,400,000	\$ (1,200,000)
January 2024	\$ 3,600,000	\$ 2,400,000	\$ (1,200,000)
January 2025	\$ 3,600,000	\$ 2,400,000	\$ (1,200,000)
January 2026	\$ 3,600,000	\$ 2,400,000	\$ (1,200,000)
January 2027	\$ 3,600,000	\$ 2,400,000	\$ (1,200,000)
January 2028	\$ 5,000,000	\$ 2,400,000	\$ (2,600,000)
January 2029	\$ 5,000,000	\$ 2,400,000	\$ (2,600,000)
January 2030	\$ 5,000,000	\$ 2,400,000	\$ (2,600,000)
January 2031	\$ 5,000,000	\$ 2,400,000	\$ (2,600,000)
November 2031	\$ 17,000,000	\$ 36,000,000	\$ 19,000,000
Total	\$ 60,000,000	\$ 60,000,000	\$ -

Fiscal and Facilities Impacts:

None

Fiscal Analysis:

There is no financial impact to the County for the tax-exempt issuance by the CMFA. 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 three signed originals to the Treasurer Tax-Collector, Attention: LeAnne Hagerty.

Attachments:

Resolution of the Board of Supervisors of the County of Santa Barbara Approving the Reissuance for Federal Income Tax Purposes of the California Municipal Finance Authority Variable Rate Revenue Notes, Series 2016A in an Aggregate Principal Amount Not to Exceed \$60,000,000 for the Purpose of Refinancing the Acquisition, Construction, Improvement, Renovation, Upgrading and Equipping of Certain Educational Facilities, for the Benefit of Westmont College and Certain Other Matters Relating Thereto.

Authored by:

LeAnne Hagerty, CPA, CPFO Treasury Finance Chief - Office of the Treasurer – Tax Collector