



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

4

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: 3/3/09
Placement:
Estimated Tme: 10 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

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

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) Approving, Authorizing, and Directing the Execution of a Joint Exercise of Powers Agreement (Agreement) Relating to the California Municipal Finance Authority; and
- B) Approving the Issuance of Tax – Exempt Revenue Bonds by the California Municipal Finance Authority for the Purpose of Financing or Refinancing the Acquisition, Construction, and Improvement of Certain Facilities for Westmont College, in a Principal Amount Not to Exceed \$122,500,000.

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 and become a member of the CMFA.

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 February 12, 2009 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.

A portion of the proceeds will be used for the purpose of certain capital improvement projects 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. The capital improvement projects include, but are not limited to, acquisition, construction, improvement, renovation, upgrading or equipping of (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, construction of a new perimeter road around and throughout its main 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 facility; and (viii) various other qualified educational facilities, buildings, improvements and infrastructure, as determined from time to time by the College. In addition, proceeds will be used for the payment of capitalized interest and costs of issuance.

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. For the CMFA to issue the tax-exempt bonds for Westmont College the County must be a member of the Authority.

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 85 municipalities have become members of the CMFA including the Counties of Ventura, San Diego, Orange, Monterey, Riverside, Kings, San Bernardino, Sacramento, Fresno and Alameda; and the Cities of Santa Barbara, Los Angeles, Oxnard, Anaheim, Carlsbad, Imperial Beach, Rancho Cucamonga, Commerce, El Monte, El Segundo, San Jose, Torrance and San Francisco.

The 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.

Santa Barbara Bank and Trust has been selected by Westmont College to be the exclusive agent for a \$122,500,000 bank syndication that will purchase a 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. 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. With respect to the Westmont financing, it is expected that 25% of the issuance fee attributable to the projects located in Santa Barbara will be granted by the CMFA to the County. The County may use this revenue to offset its costs incurred for this transaction. Costs incurred by the County, in addition to those related to the Board of Supervisor’s holding the TEFRA hearing, 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. Westmont College will be the beneficiary of the charitable donation portion. Accordingly their CMFA issuance fees will be reduced by 25%.

The County has participated in similar hearings on behalf of the Samarkand Retirement Facility, the Devereux Foundation, People’s Self-Help Housing, and Options Family Services.

Performance Measure:

N/A

Fiscal and Facilities Impacts:

Budgeted: N/A

Fiscal Analysis:

Narrative:

There is no financial impact to the County for the tax-exempt issuance by the CMFA. 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. Costs incurred by the County may be offset by the fee charged to Westmont College by the CMFA.

Special Instructions:

Please return 3 signed originals to the Treasurer – Tax Collector, Attention: Stacey Matson.

Attachments:

RESOLUTION APPROVING, AUTHORIZING, AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY, AND APPROVING THE ISSUANCE OF REVENUE BONDS BY THE AUTHORITY FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF CERTAIN FACILITIES FOR WESTMONT COLLEGE

JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Authored by:

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

cc: