



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: 9/19/17
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 *Hy H*
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 OPTIONS Family of Services, Inc.

County Council 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 insured revenue bonds (OPTIONS Family of Services, Inc.), Series 2017, in an aggregate principal amount not to exceed \$2,500,000 for the purpose of refinancing the improvement of facilities for OPTIONS Family of Services, Inc. and certain other matters relating thereto; and
- B) Adopt a resolution approving the issuance of the California Municipal Finance Authority Insured Revenue Bonds (OPTIONS Family of Services, Inc.), Series 2017, in an aggregate principal amount not to exceed \$2,500,000 for the purpose of refinancing the improvement of facilities for OPTIONS Family of Services, Inc. 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. 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 OPTIONS Family of Services, Inc., has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing.

OPTIONS Family of Services, Inc. is a 501(c)(3) and will use the proceeds from one or more series of revenue bonds to provide for the refunding of the portion of the outstanding California Statewide Communities Development Financing Authority Insured Revenue Bonds (Los Angeles Centers for Alcohol and Drug Abuse and OPTIONS Family of Services, Inc.), 2007 Series A, allocable to OPTIONS, the proceeds of which were used to refinance debt incurred to finance improvements to the following facilities: (a) Alvin (937 West Alvin, Santa Maria), and (b) Mariposa (4087 Hillview, Santa Maria) (collectively, the "Project"), in connection with its residential, day program and crisis services to people with developmental disabilities.

A portion of this financing will also refinance debt incurred to purchase and/or improve properties located in San Luis Obispo County at the following addresses: (a) Allegro (9180 Barranco, Atascadero), (b) Atascadero ICF (8020 Coromar, Atascadero), (c) Morro Bay ICF (490 Bernardo, Morro Bay), (d) SLO (1693 McCollum, San Luis Obispo), (e) Sonata (5755 Valentina, Atascadero). A separate TEFRA Hearing will be held by the County of San Luis Obispo as it is a governmental entity having jurisdiction over the area in which these properties are located.

The bonds to be issued by the CMFA will be a public offering. The bonds will be secured by a pledge of revenues. The purpose of refinancing the outstanding bonds is to realize cash flow savings resulting from the decrease in interest rates. OPTIONS will save approximately \$20,000 a year for a total anticipated savings of over \$200,000.

The following schedule details the proposed sources and uses of funding for the proposed refinancing:

Sources of Funds:

Tax-Exempt Bonds:	\$ 2,175,266.75
Taxable Bonds:	\$ 110,000
Prior Issue Reserve Fund:	\$ 219,517.50
Prior Issue Principal Fund:	\$ 52,500
Prior Issue Interest Fund:	\$ 56,250
Total Sources:	\$ 2,613,534.25

Uses of Funds:

Refunding Escrow:	\$ 2,305,937.50
Debt Service Reserve Fund:	\$ 97,360.50
Cost of Issuance:	\$ 120,000
Underwriter's Discount:	\$ 23,320
Other:	\$ 66,916.25
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Total Uses:	\$ 2,613,534.25

The following provides the values of the properties involved in the financing:

490 Bernardo, Morro Bay, CA	\$695,000
9180 Barranco, Atascadero, CA	\$495,000
8020 Coromar, Atascadero, CA	\$475,000
1693 McCollum, San Luis Obispo, CA	\$950,000
5755 Valentina, Atascadero, CA	\$535,000
937 W. Alvin, Santa Maria, CA	\$335,000
4087 Hillview, Santa Maria, CA	<u>\$435,000</u>
Total	\$3,920,000

This item was considered by the Santa Barbara County Debt Advisory Committee on August 31, 2017 and was approved for recommendation to the County Board of Supervisors.

Background:

In the early 1980s, OPTIONS founder Mike Mamot was working as a Special Education Teacher for the Paso Robles, California School District. His work with special needs students in district schools brought him into contact with young people who were struggling in school because of severe behavior problems and inadequate social skills. As he came to know these young people better, he found that many of them lived in homes where there was little love, support, or guidance. Most lived with families that were ill-prepared to deal with the unique problems presented by their special needs children and were desperately seeking outside assistance. Mike dreamed of opening a small group home where these kids could grow and flourish in a caring, supportive environment.

Mike first realized his dream in 1984, when he purchased a comfortable ranch house with some acreage nestled in the oak-covered, green hills west of Atascadero. He named the house and its surrounding property "Oak Tree Ranch". Mike then hired a small but dedicated staff and Oak Tree Ranch was licensed as a Community Care Facility by the State of California. Six area young people moved into Oak Tree Ranch and the organization that is now known as OPTIONS was born.

Although the organization that Mike started in 1984 has gone through many changes – in name, location, and primary focus – its core philosophy has never wavered: with respect and support, people with disabilities can achieve their goals of living and working independently as full citizens of their communities.

Nearly all of those first six residents of Oak Tree Ranch went on to graduate from high school and realize their goals of independence. Through the years, OPTIONS has helped several hundred individuals with varying challenges realize their dreams and achieve full inclusion in their communities. OPTIONS intends to use the proceeds of the bonds to be issued, in a principal amount not to exceed \$2,500,000 (the "Bonds"), in one or more series, for the refunding of the portion of the outstanding California Statewide Communities Development Financing Authority Insured Revenue Bonds (Los Angeles Centers for Alcohol and Drug Abuse and OPTIONS Family of Services, Inc.), 2007 Series A, allocable to OPTIONS, the proceeds of which were used to refinance debt incurred to finance improvements to the following facilities: (a) Alvin (937 West Alvin, Santa Maria), and (b) Mariposa (4087 Hillview, Santa Maria) along with five other facilities located in San Luis Obispo County (collectively, the "Project"), in connection with its residential, day program and crisis services to people with developmental disabilities.

The Bonds would be tax-exempt Insured Revenue 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. The County will not be under any obligation to repay the Bond indebtedness.

In order for the Authority to issue such Bonds, both the County and San Luis Obispo County must (1) conduct a public hearing allowing members of the public to comment on the proposed Project, and (2) approve of the Authority's issuance of Bonds on behalf of the proposed financing. Although the Authority (not the County) will be the issuer of the tax-exempt Insured Revenue Bonds for the Project, the financing cannot proceed without both counties, as the governmental entities having jurisdiction over the sites, approving of the Authority's issuance of indebtedness.

The Authority 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 270 municipalities, including the County of Santa Barbara, have become members of the Authority.

The Joint Exercise of Powers Agreement provides that the Authority is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the Authority do not constitute debts, liabilities or obligations of the members executing such agreement.

The Bonds to be issued by the Authority for the Project will be the sole responsibility of the Borrower, and the County will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the County or the State of California, but are to be paid for solely from funds provided by the Borrower.

There are no costs associated with membership in the Authority and the County will in no way become exposed to any financial liability by reason of its membership in the Authority. In addition, participation by the County in the Authority will not impact the County's appropriations limits and will not constitute any type of indebtedness by the County. Outside of holding the TEFRA hearing and adopting the required resolution, no other participation or activity of the County with respect to the issuance of the Bonds will be required.

Performance Measure:

N/A

Fiscal and Facilities Impacts:

Budgeted: N/A

Fiscal Analysis:

There is no direct or indirect financial impact to the County of Santa Barbara as a result of this proposed financing. The Authority will issue tax-exempt Insured Revenue Bonds on behalf of the Project. The tax-exempt Insured Revenue Bonds are payable solely out of the revenues of the borrower from net operating income, fees, grants, pledges and gifts. The bond issuance is the sole responsibility of the borrower and the County has no contractual, financial, legal, or moral obligation for the repayment of these bonds.

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

Special Instructions:

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

Attachments:

RESOLUTION APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY INSURED REVENUE BONDS (OPTIONS FAMILY OF SERVICES, INC.), SERIES 2017, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$2,500,000 FOR THE PURPOSE OF REFINANCING THE IMPROVEMENT OF FACILITIES FOR OPTIONS FAMILY OF SERVICES, INC. AND CERTAIN OTHER MATTERS RELATING THERETO

Authored by:

Jennifer Christensen, Chief Investment Officer, Office of the Treasurer – Tax Collector
(Source of Information: CMFA)