

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
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Agenda Number:
Prepared on: 2/4/04
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 2/17/04
Placement: Departmental
Estimate Time: 15 minutes
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Bernice James, Treasurer - Tax Collector

STAFF CONTACT: Stacey Matson, Treasury Finance Chief, 568-2158

SUBJECT: The refunding of the Montecito Retirement Association's (dba Casa Dorinda) 1993 Certificates of Participation and the issuance of additional proceeds for certain capital projects.

Recommendation(s):

That the Board of Supervisors consider recommendations regarding the refunding of the 1993 Certificates of Participation, Montecito Retirement Association, (dba Casa Dorinda), pursuant to Internal Revenue Code 147 (f), as follows:

- A. Adopt the Resolution "In the Matter of Providing for and Authorizing the Issuance of Certificates of Participation Evidencing a Proportionate Interest of the Holders Thereof in Installment Payments to be made by the County of Santa Barbara to Montecito Retirement Association Series 2004, and Authorizing the Execution of the Certificate Purchase Contract, Distribution of the Official Statement, Execution and Delivery of Other Legal Documents, and Other Actions in Connection with the Installment Purchase Financing on Behalf of Montecito Retirement Association."
- B. Adopt a conduit upfront application fee of \$1,500 and an annual maintenance fee of one basis point (.01%) of the outstanding principal to be paid by the Montecito Retirement Association to the County.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 1. An Efficient Government Able to Respond Effectively to the Needs of the Community.

Executive Summary and Discussion:

The Montecito Retirement Association (MRA), is a California non-profit corporation as defined in Section 501(c) 3 of the Internal Revenue Code. It was formed in 1973 to operate Casa Dorinda, a life care retirement community for the elderly. In late 1987, the MRA requested assistance from the County to issue Certificates of Participation (COP) on their behalf to enable them to purchase Casa Dorinda. Prior to the purchase, the MRA had been leasing the facility and as the number of years on the lease declined they were experiencing difficulties in assuring potential residents that a life care commitment could be met. Upon the County Board of Supervisors approval in 1988, tax-exempt COP of \$14,950,000 were issued to be used towards the purchase of the facility.

The 1988 COP was refunded with the County Board of Supervisors approval in May of 1993. An additional \$3,283,618 was issued for new projects, bringing the issuance to \$19,430,000. Benefits to the County were detailed and included provisions for the use of the auditorium for adult education programs, priority acceptance of County residents into Casa Dorinda, providing assistance to community food programs on holidays, and providing the use of its facilities for training of the Senior Peer Counseling program and geriatric clinical training for the Santa Barbara City College Nursing program.

The MRA is currently requesting that the County assist them in a current refunding of the \$14,645,000 principal remaining on the 1993 COP and \$4,000,000 in additional proceeds for new projects. Estimated total savings due to the refunding are \$2,216,000, with a net present value of \$1,317,000. The savings are due to historically low interest rates. The new projects include construction of a cogeneration facility and a resident's activity center, and improvements to housing and personal care buildings constructed in the 1970's.

County assistance would take the form of issuing the tax-exempt 2004 COP, with principal of \$19,355,000 to be repaid over a 20 year period. Internal Revenue Code 147 (f) requires that there be a public hearing to approve the tax-exempt COP issuance.

The structure of this financing is considered a "conduit" financing in that the County would purchase Casa Dorinda using the certificate proceeds and immediately sell the property back to the MRA. Payments on the outstanding COP would be due from the MRA to the Trustee (US Bank) for the certificate holders. The issuance will be insured by American Capital Access and has received an "A" rating.

The MRA 2004 COP request has been reviewed by County staff and bond counsel (Orrick, Herrington, & Sutcliffe), and was approved by the Debt Advisory Committee (DAC) on January 30, 2004. In 1988, along with considering and approving the MRA's initial request, the County Board of Supervisors also considered and adopted conduit financing criteria. The criteria approved is as follows:

1. The request is for the acquisition, construction, or rehabilitation of real property within the unincorporated area of the County;
2. The organization making the request is financially sound as determined by the County Auditor-Controller and Treasurer-Tax Collector;
3. Granting the request would provide a positive benefit to County residents;

4. There are no un-reimbursed County costs and no financial liability to the County if the request were approved;
5. There are no legal impediments or liability exposures to the County.

The DAC determined that the MRA's request met these criteria. The County is fully indemnified in all legal documents by the MRA in the event any liability should occur related to the issuance. Based on the opinion in the independently audited financial statements of the MRA, the entity was found to be financially sound. The DAC also approved payment of an upfront/application fee of \$1,500 and an annual maintenance fee of one basis point (.01%) of the outstanding principal to help recoup County costs of analysis, review, and ongoing monitoring. The Installment Sale Agreement (see "Installment Sale Agreement" attachment) also provides requirements that the MRA appear annually before the DAC to provide current information on the refunding and associated projects and for the prompt submission to the County Treasurer of certain financial and legal information.

Mandates and Service Levels: None.

Fiscal and Facilities Impacts: Fiscal impacts to the County are comprised primarily of salaries and benefits of County staff. The \$1,500 upfront/application fee and the annual maintenance fee will offset these costs. There are no related facilities impacts.

Special Instructions:

Please return three full sets of signed resolutions to Stacey Matson in the Treasurer-Tax Collector's office. The Treasurer's office will forward these documents to Bond Counsel for inclusion with the Certificates of Participation sales proceedings.

Concurrence: Debt Advisory Committee

Attachments:

Resolution of the Board of Supervisors
Installment Sale Agreement
Installment Purchase Agreement
Trust Agreement
Certificate Purchase Contract
Preliminary Official Statement
MRA Presentation