

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 11/23/03
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 12/9/03
Placement: Departmental
Estimate Time: 60 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: 1994 Refunding and 2004 Certificates of Participation

Recommendation(s):

That the Board of Supervisors:

- A. Authorize the County Treasurer-Tax Collector to execute the Contract of Purchase for the issuance of non-taxable 2004 Certificates of Participation in accordance with State and Federal law, in an amount not to exceed \$27,000,000, at a yield not to exceed 4%, and for a term not to exceed 15 years;
- B. Authorize the additional financing of the following equipment and other capital improvements, as recommended by the Debt Advisory Committee (DAC):
 - a. Solid Waste Caterpillar Tractor Scraper
 - b. Santa Maria Public Works Service Center
 - c. Laguna Sanitation Micro Turbine Cogeneration
 - d. County Hall of Records Restoration
 - e. Sheriff's Inmate Security Transportation Bus
- C. Approve a contract appointing Orrick, Herrington & Sutcliffe as Bond Counsel; accept a proposal for Trustee, Registrar, and Paying Agent Services from US Bank Corporate Trust Services;
- D. Direct the County Treasurer-Tax Collector, County Auditor-Controller, County Counsel, and General Services to proceed with all necessary actions required to refund the 1994 Certificates of Participation and issue the 2004 Certificates of Participation

- E. Authorize the Treasurer-Tax Collector, in consultation with the Debt Advisory Committee, to abandon the refunding and issuance if market conditions are deemed to have become financially unfavorable

- F. Adopt the attached resolution: Authorizing the Execution and Delivery of a Lease, a Sublease, an Assignment Agreement, a Trust Agreement, a Contract of Purchase, and Escrow Agreement; Approving Execution of Certificates of Participation to Prepay and Refinance Certain Obligations and to Finance Certain Equipment and Other Capital Improvements; Approving an Official Statement for Said Certificates of Participation; Authorizing the Execution and Delivery of a Continuing Disclosure Agreement; and Authorizing Certain Other Actions in Connection with the Lease Financing

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:

In November 2003 the Debt Advisory Committee (DAC) voted to recommend the refunding of the 1994 Certificates of Participation (COPs) to benefit from historically low interest rates. Preliminary information compiled by the Underwriter and Bond Counsel show the 1994 COPs to have an average coupon rate of 5.64%, as compared to an anticipated average coupon rate of 2.70% if refunded. It is estimated that the result of the refunding will be an annual savings of just under \$500,000 for seven years, with a total savings of \$3.4 million (total present value savings equal \$1.4 million), (See “Savings” Attachment)

The DAC also considered the financing options available for certain projects brought forward by individual departments. The DAC’s consideration determined that the cost of funds generated by the 2004 COPs would provide the lowest borrowing costs of any available financing options and approved the following projects for possible inclusion in the 2004 COPs issuance:

Project	Description	Project Amount	Funding Source
Solid Waste Caterpillar Tractor Scraper (Public Works)	Tajiguas Landfill equipment	\$764,989.30	Tipping Fees
Santa Maria Service Center (Public Works)	Acquisition and construction	\$900,000.00	Gasoline Taxes (Road Fund)
Micro Turbine Cogeneration (Public Works)	Electricity generation	\$795,696.00	Existing revenues redirected from power cost savings
County Hall of Records (Clerk-Recorder-Assessor)	Restoration and renovation	\$1,200,000.00	Automation and Modernization Recording Fees
Inmate Security Transit Bus (Sheriff)	Replacement of existing bus	\$370,400.32	General Fund
	Total	\$4,031,085.62	

Upon the Board of Supervisors (BOS) approval of the refunding of the 1994 COPs, Bank of America will act as the underwriter and Orrick, Herrington and Sutcliffe as special legal counsel for the issuance of the 2004 COPs. US Bank will be the Trustee. Following the BOS direction to execute the attached documents, they will be presented to the Santa Barbara Finance Corporation on December 10, 2003 for execution as well.

Mandates and Service Levels:

None.

Fiscal and Facilities Impacts:

The 1994 COPs were issued in March 1994 in the amount of \$45,680,000. \$18,415,000 is the remaining principal amount under consideration for the refunding on March 1, 2004. Estimated savings as a result of the refunding are \$3.4 million, (See "Savings" Attachment). There are no facilities impacts that would result from the refunding.

New projects are under consideration for financing in the 2004 COPs, as detailed above. If they are all approved for inclusion in the issuance, there would be additional proceeds of \$4,031,085.62, plus related interest costs of \$396,719. The reserve fund requirement is 10%. Inclusion of the new projects at the time of the refunding is contingent upon compliance with all applicable laws. The funding sources for repayment are comprised of Solid Waste tipping fees, Road fund gasoline taxes, existing Laguna Sanitation revenues (redirected from power cost savings due to the project), Recorder automation and modernization recording fees, and the general fund.

Rather than relocating Recorder staff and their related responsibilities into the new Clerk-Recorder-Assessor (CRA) building, the restoration and renovation of the County Hall of Records will allow them to continue to provide Recorder services from their current location. The CRA Elections division and the Public Works Solid Waste division will move from leased space into the new building located adjacent to the administration building parking lot. It is estimated that Solid Waste will have a net savings of \$80,000 per year, and at a minimum, \$1,360,000 over the 17 years remaining on the 2001 COPs. Elections will have an average savings of approximately \$94,118 per year, and \$1,600,000 over the 17 years remaining on the 2001 COPs. These savings will benefit the Solid Waste and General Fund, respectively.

The Santa Maria Service Center will accommodate 45 Public Works employees who are currently in rented space. A net savings of \$60,000 per year is anticipated due to moving staff from rented facilities into the Service Center.

There are no facilities impacts related to the transit bus and the Caterpillar tractor.

COPs are an obligation of the General Fund regardless of which funds are designated internally to pay the debt service. Therefore, if any funding source does not materialize in any given year of the debt term, the General Fund must make up the difference.

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
County Counsel
Auditor-Controller
Risk management
Public Works
Clerk-Recorder-Assessor
Sheriff

Attachments:

Preliminary Official Statement
Disclosure Agreement
Lease
Sublease
Assignment Agreement
Trust Agreement
Contract of Purchase
Escrow Agreement
Resolution
Contract with Orrick, Herrington and Sutcliffe as special legal counsel
Proposal for trustee, Registrar and Paying Agent Services from US Bank Corporate Trust Services
Savings Current Refunding of 1994 COPs