

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: 9/4/12  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Harry E. Hagen, CPA, CPFO, Treasurer-Tax Collector  
Director(s) 805-568-2490  
Contact Info: Kim Tesoro, CPA, CPFO, Investment & Debt Officer  
805-568-2153

**SUBJECT: California Enterprise Development Authority Financing for the Benefit of Music Academy of the West**

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Debt Advisory Committee

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

Adopt a resolution approving the issuance by the California Enterprise Development Authority of its revenue obligations for the benefit of Music Academy of the West in an aggregate amount not to exceed \$15,500,000 for the purpose of refinancing the cost of the construction, rehabilitation, equipping and furnishing of certain property, providing the terms and conditions for such obligations and other matters relating thereto.

**Summary Text:**

The Music Academy of the West (“the Music Academy”) is requesting that the County approve the issuance of California Enterprise Development Authority Revenue Obligations (“the Obligations”) for the benefit of the Music Academy. The Obligations will be used to refund Certificates of Participation issued by the County in 2007 for the benefit of the Music Academy.

The item was considered by the Santa Barbara County Debt Advisory Committee on August 23, 2012 and was approved for recommendation to the County Board of Supervisors.

**Background:**

The Music Academy is an independent 501(c)(3) nonprofit public benefit corporation dedicated to advancing the development of young classical musicians. The Music Academy was founded in 1947 and provides young musicians, primarily of college and graduate school age, a learning experience as they make their transition from student to professional.

On April 24, 2007, the County facilitated a financing for the benefit of the Music Academy through the execution and delivery of \$16,625,000 of Certificates, evidencing undivided proportionate ownership interests in payments to be made pursuant to a First Installment Sale Agreement, dated as of April 1, 2007, between the Music Academy and the County. The Music Academy is obligated pursuant to the Second Installment Sale Agreement, dated as of April 1, 2007 (the "Second Installment Sale Agreement"), between the County and the Music Academy to make all payments of principal, premium, if any, and interest with respect to the Certificates. The Certificates are outstanding in the amount of \$15,920,000. The proceeds of the Certificates were used to finance or refinance the costs of construction, installation, rehabilitation, equipping and furnishing of capital facilities at 1070 Fairway Road, Santa Barbara, California.

The Music Academy has determined that it is in its best interest to refund the Certificates with a lower interest rate financing to be provided by First Republic Bank. The new financing will not extend the maturity date or weighted average maturity of the existing financing, but will provide net present value savings of approximately \$600,000 and approximately \$70,000 in annual savings. The savings in interest expenses will allow the Music Academy to reduce the overall cost of continuing its music education programs and potentially allow it to develop other innovative programs that further its mission.

The Music Academy has elected to complete its refunding through the California Enterprise Development Authority ("CEDA") as the issuer. Following the closing of the refunding on September 13, 2012, the County will have no further responsibility for the Certificates. The Certificates will be redeemed in their entirety.

On October 26, 2010, the County became an Associate Member of CEDA, a joint powers authority established by the California Association for Local Economic Development, whose purpose is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions. The County joined CEDA to facilitate financings for three nonprofit entities; namely, Laguna Blanca School, Marymount School of Santa Barbara and Santa Barbara Student Housing. All three financings were completed by CEDA.

CEDA will loan the proceeds of the Obligations to the Music Academy to (i) refinance the Music Academy's obligations pursuant to the Second Installment Sale Agreement, and to concurrently refund, on a current basis, the Certificates and (ii) pay certain costs of issuance in connection with the financing.

Because the maturity date and weighted average maturity of the new financing are not increasing, there is no requirement for the County to conduct a public hearing and approve the issuance of the Obligations pursuant to Section 147(f) of the Internal Revenue Code of 1986. However, pursuant to the Joint Exercise of Powers Act contained in Chapter 5 of Division 7 of Title 1 of the Government Code of the State (commencing with Section 6500), CEDA may not undertake a project within the territorial boundaries of a member unless the member has approved the project.

**Fiscal and Facilities Impacts:**

There is no financial impact to the County. The Obligations are special, limited obligations of CEDA payable solely through the repayment of the loans from CEDA which repayment is used to pay the principal of and interest on the Obligations. The Obligations issued by CEDA are not an obligation of the County or any member of CEDA. Neither the faith or credit, nor the taxing power of the County, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Obligations.

**Special Instructions:**

Please forward one (1) signed resolution to the Santa Barbara County Treasurer-Tax Collector, Attention: Kim Tesoro.

**Attachments:**

Resolution approving the issuance by the California Enterprise Development Authority of its revenue obligations for the benefit of Music Academy of the West.

**Authored by:**

Kim Tesoro, CPA, CPFO, Investment & Debt Officer

**cc:**

Auditor-Controller  
County Counsel