



Monterey County

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Board Report

Legistar File Number: 15-0827

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Matter Type: General Agenda Item

- a) Grant the County Debt Manager authority to: amend and execute documents; and determine appropriateness of bond terms and conditions; to facilitate the issuance of Certificates of Participation (the “2015 Public Facilities Financing”) not to exceed \$52,500,000 for the purpose of financing tenant improvements at 1441 Schilling Place and renovations to the East and West Wing buildings at 240 Church Street, Salinas, California, and
- b) Adopt a Resolution approving the form and authorizing the execution of certain lease financing documents in connection with the offering and sale of Certificates of Participation relating thereto, and authorizing and directing certain actions with respect thereto.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a) Grant the County Debt Manager authority to: amend and execute documents; and determine appropriateness of bond terms and conditions; to facilitate the issuance of Certificates of Participation (the “2015 Public Facilities Financing”) not to exceed \$52,500,000 for the purpose of financing tenant improvements at 1441 Schilling Place and renovations to the East and West Wing buildings at 240 Church Street, Salinas, California, and
- b) Adopt a Resolution approving the form and authorizing the execution of certain lease financing documents in connection with the offering and sale of Certificates of Participation relating thereto, and authorizing and directing certain actions with respect thereto.

SUMMARY AND DISCUSSION:

On May 5, 2015, this Board granted authority to the County Debt Manager to execute documents to facilitate issuance of Certificates of Participation (“COPs”). The original issuance plan was to encumber the Schilling Complex and the East and West Wing buildings to secure the borrowing. Prolonged negotiations with bond counsel resulted in the opinion that, in their current condition, those properties would not fully secure the borrowing. Staff identified numerous additional county properties to encumber through the three year construction period. Bond counsel, after arduous negotiations, eventually agreed to temporarily encumber the following additional properties: Behavioral Health Building at 298 Twelfth St in Marina; Probation Headquarters and Adult Services at 20 E. Alisal; Probation Youth Center and School at 970 Circle Drive in Salinas; and the Information Technology Building at 1590 Moffett Street in Salinas. Those buildings will be automatically released once the subject properties are completed and occupied.

Timing of the issuance was discussed at the May 5 board meeting wherein it was determined that the County preferred to reduce borrowing costs by issuing prior to the fiscal year end to avoid reserve funds and capitalized interest. Because of delays with bond counsel regarding encumbered properties, issuance was not feasible prior to fiscal year end. However, further negotiations with bond counsel and the underwriting team culminated with a financing structure that avoids the need for either capitalized interest or a reserve fund, saving the County millions of dollars over the 30 year term of the COPs. Under the new structure, the County is obligated to pay interest on April 1, 2016, estimated at approximately \$1.43 million. Principal payments will begin on October 1, 2016. As a result, annual debt service would decrease from the originally estimated \$3.3 million to less than \$3.04 million. The term of the COPs would be 30 years, with a 10 year refunding option.

Pricing is anticipated to occur on either August 5 or 12, with proceeds being available prior to the board's August 25 meeting after break. The resolution allows the Debt Manager to determine, based on interest rate volatility, acceptance of subscription bids on the day of pricing, or whether to postpone pricing should uncontrollable market conditions significantly alter borrowing costs. Further, because final documents may require alteration prior to issuance, the Debt Manager is requesting authority to make such changes from the form documents attached, if needed.

OTHER AGENCY INVOLVEMENT:

RMA assisted in identifying available properties. CAO budget division assisted in determining availability of sufficient funds for debt service. County Counsel assisted in reviewing documents.

FINANCING:

Adoption of the resolution and granting of discretionary authority will allow the County to issue bonds sufficient to cover the costs of tenant improvements at Schilling Place and renovations to the East and West Wing buildings at an annual debt service rate of approximately \$3.04 million.

Prepared by: Ron Holly, Chief Deputy Auditor-Controller, x5493

Approved by: Michael J. Miller, CPA, CISA, Auditor-Controller, x5084

Attachments:

County Resolution
Form of Ground Lease
Form of Lease Agreement
Form of Assignment Agreement
Form of Trust Agreement
Form of Continuing Disclosure Agreement
Preliminary Official Statement
Certificate Purchase Contract