



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Report

Legistar File Number: 16-1053

September 20, 2016

Introduced: 9/7/2016

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

Adopt a resolution:

Rescinding By-Laws and Authorizing Related Actions

RECOMMENDATION:

It is recommended that the Governing Board of the East Garrison Public Financing Authority, adopt a resolution:

Rescinding By-Laws and Authorizing Related Actions

SUMMARY:

The East Garrison Public Financing Authority (EGPFA) was created by a joint powers agreement between the County of Monterey and the East Garrison Community Services District (EGCSD) in 2006, with the Board of Supervisors also serving as the Board of Directors of the EGCSD. The Board of the EGCSD was designated as the Governing Board of the EGPFA. The Great Recession caused the East Garrison Project to go dormant for several years until 2011, when a new developer, UCP East Garrison, LLC (UCP) restarted the project.

The primary purpose of the EGPFA is to serve as the vehicle for the creation of the East Garrison Community Facilities District (EGCFD) and issuance of EGCFD bonds. Pursuant to the Disposition and Development Agreement (DDA) between the (now) Successor Agency to the Redevelopment Agency of the County of Monterey and UCP, UCP has requested that the EGCFD finance the purchase from UCP of certain public infrastructure improvements through the issuance of bonds in a yet undetermined amount. Staff is evaluating the request, for a possible bond sale later this year. Subsequent series of bonds are also contemplated in the DDA.

Staff is recommending that the governance structure of the EGPFA be changed to designate the Board of Supervisors, and not the Board of Directors of the EGCSD, as the Governing Board of the EGPFA. This change would have the effect of assuring that each series of bonds contemplated under the DDA are issued under the umbrella and established procedures of the County of Monterey as provided in Sections E and F of Attachment No. 4 to the DDA. Monterey County is an experienced debt issuer, and, while Monterey County is not incurring any financial obligation or backing the debt in any way, it has the financial structure in place to manage the bonds effectively.

The proposed amendment to the Joint Powers Agreement also clarifies the role of the EGPFA as the body to create the EGCFD and to issue CFD bonds. The original JPA appears to have envisioned a greater role for the EGPFA, including having the ability to add new members and to finance improvements for other local agencies, which is no longer necessary or feasible with

the dissolution of redevelopment. Further, the amendment includes procedural provisions, making it unnecessary for the EGPFA to have bylaws. The previous By-Laws of the EGPFA are proposed to be rescinded. The proposed Resolution Rescinding By-Laws is included as Attachment 1.

DISCUSSION:

The East Garrison Disposition and Development Agreement envisions a Community Facilities District (CFD) to finance the purchase from the East Garrison developer of up to \$20 million of public infrastructure through the issuance of Mello-Roos bonds by the CFD. To meet the obligation of forming a CFD, the EGPFA was created as a joint powers agency between the County of Monterey and the East Garrison Community Services District (EGCSD). The EGPFA created the EGCFD in 2006, before the Great Recession caused the project to stop. It was the expressed desire of the parties that neither the County of Monterey, nor the former Redevelopment Agency, nor the EGCSD would incur any financial obligation as a result of creating the CFD and the subsequent issuance of bonds. Debt service on the bonds is financed entirely by a Special Tax paid by the property owners in East Garrison.

Public Financing Authorities serve as a vehicle for issuing bonds, taking advantage of the capabilities of a public agency to navigate through the complex process of overseeing the issuance and management of public debt. Entities such as the EGCSD and many small special districts and municipalities simply lack the structure for debt issuance and management. Greater efficiency can be achieved by designating an experienced agency as the debt manager.

The governing board of the EGCSD was designated as the governing Board of the EGPFA under the Joint Powers Agreement. Under the Mello-Roos Act, the governing body creating the CFD must act as the legislative body in all matters pertaining to the issuance and management of CFD bonds. Currently, the EGCSD Board of Directors is the Monterey County Board of Supervisors, but that could change next year when the County is required to hold an election to determine if the electors within the EGCSD want to become an independent board comprised of 5 members elected from within the boundaries of the CSD. The State CSD law, creating the EGCSD, requires that such election be held ten years after formation.

As long as the Monterey County Board of Supervisors is the designated Board of Directors of the EGCSD and the EGPFA, bond issuances would be overseen by experienced County staff or its consultants. If the EGCSD electors chose to become an independent board, that board would become the EGPFA Board of Directors and it is unlikely that this newly created independent board would have the resources to issue and manage bonds. Designating the Board of Supervisors of Monterey County as the EGPFA Board of Directors would provide consistency and efficiency in issuing and managing the EGCFD bonds under consideration and any further series of bonds issued in the future.

When the EGPFA Joint Powers Agreement was adopted, a broader role for the EGPFA appears to have been envisioned. The existing Joint Powers Agreement includes provisions for adding new members to the JPA and certain provisions regarding bond pooling, which allow public finance authorities to pool capital improvement financings from various local agencies into a single bond issue. These provisions are not likely to be used by the EGPFA. The proposed amendment deletes these provisions from the Joint Powers Agreement, in order to simplify it.

The EGPFA adopted bylaws when it was formed in 2006. The Amended and Restated Agreement contains provisions covering all matters provided for in the By-Laws and, therefore, there is no longer any need for the By-Laws. A copy of the proposed Amended and Restated Agreement is included as Attachment 2 for the Board's convenience. It is proposed that the EGPFA rescind its bylaws.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed the Resolution as to form. On September 20, 2016 the Board of Supervisors of the County of Monterey is considering an action to adopt a resolution to execute and deliver an Amended and Restated Agreement. Also on September 20, 2016 the EGCSB Board of Directors is considering an action to adopt a resolution to execute and deliver an Amended and Restated Agreement.

The County Auditor would assume responsibility for the management of the EGCFD Bonds, once issued. The County's Debt Manager has been involved in the current efforts to structure the bond sale under consideration.

FINANCING:

The actions proposed, changing the governance structure of the EGPFA, would not result in a direct or indirect financial impact to the County. The recommended actions could have the effect to increase efficiency and provide consistency in the issuance and management of debt by the EGCFD. Any costs incurred by the County from managing the CFD bonds, including costs incurred by the County Auditor, would be borne by the EGCFD. Bond issues will be structured to provide adequate funds for the County to cover administrative expenses and for the EGCFD (Fund 180) to service the debt created by the sale of bonds. Additional staff resources to manage EGCFD bonds are not anticipated. Based on discussions with our current CFD contract administrator and the experience of other CFDs, staff estimates that the annual cost of administering the EGCFD, once bonds are issued, will be less than \$50,000. There is and will be adequate revenue in the EGCFD (Fund 180) to cover administration and bond debt service.

Prepared by Carlos Urrutia, RMA Management Specialist
Reviewed by Melanie Beretti, RMA Special Programs Manager X5285
Approved by Carl P. Holm, AICP, RMA Director

ATTACHMENTS

Attachment 1 - Resolution

Attachment 2 - Amended and Restated Joint Exercise of Powers Agreement by and between the County of Monterey and East Garrison Community Services District