



Monterey County

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Board Report

Legistar File Number: RES 17-137

August 03, 2017

Introduced: 7/24/2017

Version: 1

Current Status: Agenda Ready

Matter Type: BoS Resolution

- a. Adopt a Resolution approving the forms of and authorizing the execution and delivery of a Trust Agreement, Ground Lease, Lease Agreement, Certificate Purchase Agreement, and a Continuing Disclosure Agreement in connection with the offering and sale of the County of Monterey Certificates of Participation (2017 Public Facilities Authority) (the "2017 COPs"), and authorizing the distribution of an Official Statement in connection therewith and authorizing execution of necessary documents, certificates, and certain other related actions.
- b. Direct the Authorized Officers and the officers and employees of the County the authority to amend and execute documents, determine appropriateness of bond terms and conditions, and to carry out, give effect to, and comply with the terms and intent of this Resolution.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Adopt a Resolution approving the forms of and authorizing the execution and delivery of a Trust Agreement, Ground Lease, Lease Agreement, Certificate Purchase Agreement, and a Continuing Disclosure Agreement in connection with the offering and sale of the County of Monterey Certificates of Participation (2017 Public Facilities Authority) (the "2017 COPs"), and authorizing the distribution of an Official Statement in connection therewith and authorizing execution of necessary documents, certificates, and certain other related actions.
- b. Direct the Authorized Officers and the officers and employees of the County the authority to amend and execute documents, determine appropriateness of bond terms and conditions, and to carry out, give effect to, and comply with the terms and intent of this Resolution.

SUMMARY:

This report and resolution was initially approved by the Board on July 18, 2017 through the consent calendar. On July 21, 2017, the underwriter's counsel informed bond counsel and the County that Government Code 53635.7 requires the Board to discuss, consider, and deliberate as a separate item of business on the agenda any time there is a decision that involves borrowing that exceeds \$100,000.

Given favorable conditions in the municipal market and a low interest rate environment, the County has been monitoring debt service savings opportunities associated with the County of Monterey Certificates of Participation (2007 Refunding and Public Facilities Financing) (the "2007 COPs"). It is estimated that refunding the 2007 COPs will result in approximately \$18 million in net present value savings and \$21 million in gross cash flow savings or over \$1 million of annual budgetary savings, based on current market conditions. Given the dynamic nature of the interest rate market, the actual refinancing savings may vary depending on the municipal market conditions at the time of pricing, which is anticipated to occur in mid-August 2017. Because the feasibility and value of a refunding are completely dependent on municipal market yields, this authorization is requested now to enable the County to move quickly to

maximize savings, when yields are favorable.

DISCUSSION:

In 2007, the County issued \$152,680,000 County of Monterey Certificates of Participation (2007 Refunding and Public Facilities Financing). The 2007 COPs were issued to prepay the principal outstanding on past then outstanding County COPs and to finance portions of the costs of renovating, constructing, acquiring, and improving certain County infrastructure such as the court facilities and the health administration building. The 2007 COPs are callable on August 1, 2017 at a redemption price of 100 percent and eligible for a current refunding. All outstanding callable maturities of the 2007 COPs will be refunded.

Over the last few months, officers and employees of the County have worked with the County's bond and disclosure counsel (Nixon Peabody LLP), municipal advisor (KNN Public Finance, LLC) and underwriter (Barclays Capital) to develop the structure of the refunding (refinancing) and to prepare necessary legal/offering documents. The following is a summary of the key components of the 2017 COPs:

- Consists of fixed rate, tax-exempt obligations not to exceed \$105 million.
- Structures a final maturity that is consistent with the term of the 2007 COPs occurring in 2037.
- Releases \$10.23 million of the prior cash debt service reserve fund ("DSRF") associated with the 2007 COPs and contributes that portion to the 2017 COPs. The 2017 COPs do not structure a DSRF, resulting in greater cash flow savings to the County.
- Pledges County assets consistent with those pledged to the 2007 COPs.
- Provides estimated gross savings of \$21 million and generates over \$1 million in annual budgetary savings.

The County has a history of sound financial management that stands out among comparable counties. Based on its strong underlying credit attributes, the County expects to maintain its current "AA" category credit ratings. Typically, these higher credit ratings result in lower interest rates and, thus, the more economic it becomes to finance or refinance projects for the County. However, if the ratings are not favorable, the County is not obligated to proceed with the COPs refunding.

The County anticipates selling the 2017 COPs in in early August and closing on the financing the week of August 21, 2017. The Resolution allows County staff 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 County staff is requesting authority to make such changes from the form documents attached, if needed.

OTHER AGENCY INVOLVEMENT:

The Assessor-County Clerk-Recorder, the Auditor-Controller, Treasurer-Tax Collector, County Counsel, and the Resource Management Agency are working with the County Administrative Office on the 2017 COPs transaction.

FINANCING:

It is estimated that refinancing the 2007 COPs and issuance of the 2017 COPs will result in approximately \$18 million in net present value savings and \$21.2 million in gross cash flow savings or over \$1 million annually, based on current market conditions. All costs of issuance will be paid from bond proceeds.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The issuance of the County of Monterey Certificates of Participation (2017 Public Facilities Authority) to refinance the 2007 Refunding and Public Facilities Financing COPs correlates with the Board's Administration policy area. Refinancing is estimated to create \$21 million in gross cash flow savings, thus advancing the County's commitment to achieve a balanced budget that sustains core services and efficiently allocates resources.

Check the related Board of Supervisors Strategic Initiatives:

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Dewayne Woods, Assistant County Administrative Officer (x5309)

Attachments: The following attachments are on file with the Clerk of the Board:

- 1 - County Resolution
- 2 - Form of Ground Lease
- 3 - Form of Lease Agreement
- 4 - Form of Assignment Agreement
- 5 - Form of Trust Agreement
- 6 - Form of Continuing Disclosure Agreement
- 7 - Preliminary Official Statement
- 8 - Certificate Purchase Contract

(Hard copies of attachments on file with the Clerk of the Board.)