



## Board Report

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**File #:** RES 19-130, **Version:** 1

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- a. Receive an update regarding the Fort Ord Reuse Authority proposal to issue a bond against its statutory share of property tax revenue for building removal on the former Fort Ord;
- b. Consider making a recommendation to the Fort Ord Reuse Authority and provide direction to staff regarding the bond issuance; and
- c. Adopt a resolution to: Authorize and direct the Auditor-Controller to amend FY 2019-20 Resource Management Agency Adopted Budget, Fund 001, Appropriation Unit RMA013, to increase appropriations by \$50,000 to be used for financial analysis and specialized bond counsel services, financed by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, of \$50,000 (4/5<sup>th</sup> vote required); Approve Standard Agreement with Fieldman, Rolapp & Associates, Inc. to provide financial analysis to the County for the Fort Ord Reuse Authority proposed bond issuance for a total amount not to exceed amount \$25,000 for a term of October 8, 2019 to December 31, 2020; Authorize the Resource Management Agency Director or his designee to execute the Standard Agreement and up to two (2) future amendments to the Agreement where the amendments do not significantly alter the scope of work or change the approved Agreement amount by more than 10%; and Authorize County Counsel to retain specialized bond counsel services in an amount not to exceed \$25,000.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive an update regarding the Fort Ord Reuse Authority proposal to issue a bond against its statutory share of property tax revenue for building removal on the former Fort Ord;
- b. Consider making a recommendation to the Fort Ord Reuse Authority and provide direction to staff regarding the bond issuance; and
- c. Adopt a resolution to: Authorize and direct the Auditor-Controller to amend FY 2019-20 Resource Management Agency Adopted Budget, Fund 001, Appropriation Unit RMA013, to increase appropriations by \$50,000 to be used for financial analysis and specialized bond counsel services, financed by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, of \$50,000 (4/5<sup>th</sup> vote required); Approve Standard Agreement with Fieldman, Rolapp & Associates, Inc. to provide financial analysis to the County for the Fort Ord Reuse Authority proposed bond issuance for a total amount not to exceed amount \$25,000 for a term of October 8, 2019 to December 31, 2020; Authorize the Resource Management Agency Director or his designee to execute the Standard Agreement and up to two (2) future amendments to the Agreement where the amendments do not significantly alter the scope of work or change the approved Agreement amount by more than 10%; and Authorize County Counsel to retain specialized bond counsel services in an amount not to exceed \$25,000.

### SUMMARY

County staff identified several concerns regarding the proposed bond issuance and presented and discussed them with the Fort Ord Committee at its July 22, September 12, and September 23, 2019 committee meetings (Attachment A, pages 4-7). The Fort Ord Committee emphasized the following concerns:

- Bond issuance feels rushed; need time to resolve basic questions related to the bond (e.g., administration, structure of distribution of proceeds) and to enable review by County staff (Auditor-

Controller, CAO, Counsel, RMA) to adequately evaluate the potential impact to the County and put protections in place;

- Prior to FORA approval of the bond, need to identify the successor to FORA who will administer the bond and assume responsibility to bond holders, since bond issuer (FORA) will cease to exist after June 30, 2020
- Need to justify FORA's accelerated timeline for issuance before the end of 2019; information provided to County staff indicates that interest rates are not in jeopardy, so FORA needs to demonstrate the urgency
- Ensure that County is insulated from any potential issues surrounding the bond issuance
- Ensure sufficient funds are set aside for any claims resulting from the bond issuance (e.g., if money not utilized as required for building removal) to ensure the successor administrator can fully address those issues
- Assure that performance requirements of the bond can be met (e.g. % spent within x months)
- Allow time for County Counsel, staff and County consultant review of the proposed bond issuance documents, but bond documents have not yet been provided for review;
- Resolve how Monterey County Regional Fire District will be made whole by the jurisdictions, including specific funding commitments;
- Evaluate how bond issuance may financially affect the County with no extension of FORA;
- Determine level of County participation (whether or not County buildings are removed or reused).

Staff is seeking Board input regarding the proposed FORA bond issuance for building removal and providing an opportunity for the Board of Supervisors to consider making a recommendation to the FORA Board Directors regarding the bond issuance and to provide further direction to RMA staff. Staff recommends increasing RMA's Adopted Budget appropriations for financial consulting services and specialized bond counsel to advise the County regarding the proposed FORA bond issuance. Staff is requesting the Board approve an agreement with Fieldman Rolapp & Associates for financial consulting services, and County Counsel is pursuing an agreement with specialized bond counsel.

Staff has requested pertinent information and documents from FORA and its consultant team that is needed to properly analyze the proposed bond issuance; to date much of this information has not been provided and is not yet available from FORA for review. Staff is not prepared at this time to make a recommendation to the Board whether or not the County should participate in the FORA bond program. Staff proposes to continue to work with FORA and its consultant team to obtain necessary information and documents for review, and to procure a financial consultant and specialized bond counsel to provide review of the bond issuance and advise the County.

#### DISCUSSION:

On August 15, 2019, at a Special Meeting of the Fort Ord Reuse Authority (FORA), the FORA Board authorized all necessary preparatory work for issuance of a bond for building removal on the former Fort Ord. Specifically, they approved that the Executive Office: Move forward with the draft bond issuance schedule; execute necessary consultant team agreements; work with Monterey County and other jurisdictions on post-FORA administration; secure jurisdictional support for the proposed schedule; and work with Monterey County Regional Fire District (MCRFD) to address projected revenue loss. County staff participated in discussions at the FORA Administrative Committee (FORA-AC) meetings regarding this proposed bond issuance.

On September 18, 2019, the FORA-AC received a presentation from FORA staff and their bond consultant

regarding the subject bond issuance (Attachment C- 9/23/19 Fort Ord Committee Agenda Item No.1 - Staff Report). FORA staff advised that the selected bond underwriter provided a proposal that estimates generating between \$50-\$56 million in total bond proceeds. The FORA-AC supported recommending to the FORA Board that the City of Marina, pending Marina's consideration and agreement, assume the role of bond administrator (also referred to as "successor entity") after FORA's dissolution. They also recommended that the FORA Board adopt Bond Proceed Distribution Option 3 (Attachment A, page 49); however, they acknowledged that the distribution formula may be adjusted depending on the amount of the final bond issuance. FORA-AC requested that FORA staff return to the Administrative Committee with additional detail regarding disposal liabilities for the proposed building removal as part of this bond issuance to include required insurance coverage, premium payment schedule alternatives, and other financial and risk considerations related to hazardous waste disposal. The FORA-AC also requested that FORA provide discussion of their past building removal disposal liabilities and how they will be handled going forward after the June 30, 2020 dissolution of FORA. The FORA-AC members discussed having each bond recipient develop its respective prioritized list of its building removal needs with associated discussion of how it determined the prioritization, that could ultimately be provided to the FORA Board for consideration. As part of this process it will be incumbent upon FORA and the jurisdictions to identify what building removal projects are already taken into account through existing agreements and funded in whole or part through a reduced land sale value or other financial off-sets, so the responsibility for those project remains with the developer and not the bond holders.

The County has remaining buildings on the County parcels to the south of Watkins Gate Road across from the East Garrison community (Attachment A, page 43), which to date have been included in FORA's proposed building removal project list which includes a cost estimate of approximately \$2.24 million to remove the remaining buildings. At its September 12, 2019 meeting, the Fort Ord Committee requested to schedule a special Fort Ord Committee meeting to visit each County (former Fort Ord) property that has remaining buildings identified for removal. In addition, County staff is evaluating the East Garrison development agreements and documents to determine if there may be buildings (or foundations associated with former buildings) on County Successor Agency-owned parcels within the East Garrison development project area that may be recommended for removal.

As of the writing of this report, the bond administrator has not been definitively determined. The City of Marina City Council considered the proposed bond issuance and whether to become the bond administrator at its October 11, 2019 meeting, but did not come to a final decision. It is important for the bond issuance and to provide assurance to the bond holders who the bond administrator will be post-FORA dissolution, and the bond rating or interest rate may be impacted if the successor to FORA is not identified clearly in the bond indenture. Even if County is not the administrator of the bond, County will have a role. The County Auditor-Controller must distribute the tax revenues. Additionally, before FORA can issue a bond, the County Board of Supervisors must hold a public hearing to approve the financing of the public capital improvement and make a finding of significant public benefit of the FORA bond issuance. (Attachment D- 9/23/19 Memo Regarding Monterey County Board Hearing Requirement for Bond Issuance; Government Code section 6586.5). FORA's bond consultant has also identified that the Monterey County Board of Supervisors must also adopt a resolution committing to intercept FORA property tax funds and to assign them to the bond trustee. Staff would need to analyze whether or not these County actions are required if the County decides not to participate in the bond issuance.

**OTHER AGENCY INVOLVEMENT:**

Supervisors Parker and Phillips serve on the County Board of Supervisors' Fort Ord Committee. Supervisors Adams, Parker, and Phillips serve on the FORA Board, and Supervisor Phillips serves as Chair of the FORA

Legislative Committee. RMA represents the County on the FORA Administrative Committee, which is considering the bond issuance. The County Administrative Office, the Office of County Counsel and Resource Management Agency are part of the County's FORA transition team. The Budget Committee Chair has been advised of this item and the desire to secure consulting services as soon as possible to advise the County on FORA's bond issuance, and the Chair approved bypassing the Budget Committee.

FINANCING:

Resource Management Agency (RMA) staff time to evaluate the proposed bond issuance and prepare this report is funded as part of the FY 2019-20 Adopted Budget for the RMA, Fund 001, Appropriation Unit RMA013. Under the terms of the proposed Professional Services Agreement with Fieldman, Rolapp & Associates, the not-to-exceed amount is \$25,000 to be funded out of General Fund Contingencies. An amendment to the FY 2019-20 Adopted Budget for the Resource Management Agency, Fund 001, Appropriation Unit RMA013, is needed to increase appropriations by \$50,000 to be used for financial analysis and specialized bond counsel services, financed by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, of \$50,000. The current Contingencies balance is \$4,594,299. Expenditures for consulting services will not exceed \$50,000 in FY 2019-20, and at the end of the fiscal year RMA will work with the CAO- Budget to true up actual expenditures so any unspent funds remain in General Fund Contingencies.

Modeling conducted by FORA's financial consultant (7/25/19 version, Attachment A, page 26) indicates that under a 2020 FORA dissolution model, the County's anticipated property tax value with bond issuance (and therefore with debt repayment coming from FORA's statutory portion of the property taxes) is anticipated to be \$23,590,894 over the bond repayment period, a Present Value increase of \$392,693 as compared to a no-bond scenario estimate property tax revenue of \$23,198,201. While the modeling shows an overall gain to the County for the life of the bond repayment, the County realizes approximately \$1.1 million less property tax revenue over the first seven (7) years following bond issuance than it would have if no bond were issued (and therefore no debt repayment, allowing FORA's statutory portion of the property taxes to redistribute to the County and other taxing entities). Beginning in Year 8, County property tax revenue trend shifts to projecting a net annual increase between a bond versus no bond scenario. The accuracy of projected property tax revenues and modeling outcomes is dependent upon the assumptions made in the model, and this modeling assumes higher development rates in the Cities of Seaside and Marina, with accelerated building removal than a no-bond/no building-removal scenario.

The County's total net benefit from FORA's bond issuance is higher than the anticipated \$392,693 increase in net property tax revenue if the County receives bond revenues to fund building removal on County and Successor Agency-owned properties in the former Fort Ord.

There could be additional potential impacts, benefits and costs to the County as a result of FORA's dissolution with regards to the proposed bond issuance. Staff will continue to work with stakeholders to identify issues and return to the Board with staff's analysis and/or recommendation.

FORA estimates show that the former Fort Ord area has an estimated \$55 million in total building removal needs, which does not include Successor Agency-owned buildings within the East Garrison development project area and is discussing a \$50-\$56 million bond issuance. The County has an estimated \$2.24 million in building removal needs for facilities remaining on the Ammunition Supply parcel and on the south side of Watkins Gate Road across from the East Garrison community. RMA staff is evaluating potential building removal needs on Successor Agency-owned parcels within the East Garrison development project area.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Issuance of bonds for the building removal by FORA supports the Board's Economic Development strategic initiative by removing a significant barrier to redevelopment on the former Fort Ord area. Engaging financial consulting services to help inform the County's consideration of the proposed FORA bond issuance supports the Administration strategic initiative by providing for efficient and effective operations and ensuring accountability and transparency.

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

Prepared by: Melanie Beretti, Property Administration/Special Programs Manager (755-5285)

Approved by: Shawne Ellerbee, RMA Deputy Director of Administrative Services

Approved by: Carl P. Holm, AICP, RMA Director

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

Attachment A - Resolution

Attachment B - Standard Agreement - Fieldman, Rolapp & Associates

Attachment C - 9/23/19 Fort Ord Committee Agenda Item No.1 - Staff Report

Attachment D - 9/23/19 Memo - Board Hearing Requirement for Bond Issuance