



Board Report

File #: EGPFA 19-004, **Version:** 2

Consider adopting a resolution of the Governing Board of the East Garrison Public Financing Authority to:

- a. Authorize the issuance of Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2019, in an aggregate principal amount not to exceed \$12,000,000;
- b. Authorize execution and delivery of a First Supplemental Indenture, a Bond Purchase Agreement, and a Continuing Disclosure Agreement;
- c. Authorize the distribution of an Official Statement in connection therewith;
- d. Authorize the Chair of the East Garrison Public Financing Authority to execute necessary documents, certificates, and related actions; and
- e. Authorize and direct the Auditor-Controller to amend the Fiscal Year 2019-20 Adopted Budget, Fund 180, Appropriation Unit RMA105, increasing appropriations for Infrastructure Account 7541 by \$11,670,567, financed by an increase of \$11,670,567 from Contributions from Property Owners Account 5980 (4/5 vote required).
- f. Authorize and direct the Auditor-Controller to amend the FY 2019-20 Adopted Budget for East Garrison Community Facility District, Fund 180, Appropriation Unit RMA105, to increase appropriations by \$198,440, where the financing source is unassigned fund balance (180-3101) (4/5th vote required); and
- g. Authorize and direct the Auditor-Controller to transfer \$198,440 for Fiscal Year 2019-20 from East Garrison Community Facility District, Fund 180, Appropriation Unit RMA105, to East Garrison Community Facilities District 2006-1, Agency Fund 510 (4/5th vote required).

RECOMMENDATION:

It is recommended that the East Garrison Public Financing Authority Board of Directors approve a Resolution as the Governing Board of the East Garrison Public Financing Authority to:

- a. Authorize the issuance of Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2019, in an aggregate principal amount not to exceed \$12,000,000;
- b. Authorize execution and delivery of a First Supplemental Indenture, a Bond Purchase Agreement, and a Continuing Disclosure Agreement;
- c. Authorize the distribution of an Official Statement in connection therewith;
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- e. Authorize and direct the Auditor-Controller to amend the Fiscal Year 2019-20 Adopted Budget, Fund 180, Appropriation Unit RMA105, increasing appropriations for Infrastructure Account 7541 by \$11,670,567, financed by an increase of \$11,670,567 from Contributions from Property Owners Account 5980 (4/5 vote required).
- f. Authorize and direct the Auditor-Controller to amend the FY 2019-20 Adopted Budget for East Garrison Community Facility District, Fund 180, Appropriation Unit RMA105, to increase appropriations by \$198,440, where the financing source is unassigned fund balance (180-3101) (4/5th vote required); and
- g. Authorize and direct the Auditor-Controller to transfer \$198,440 for Fiscal Year 2019-20 from East Garrison Community Facility District, Fund 180, Appropriation Unit RMA105, to East Garrison Community Facilities District 2006-1, Agency Fund 510 (4/5th vote required).

SUMMARY:

The East Garrison Community Facilities District (EGCFD) proposes to issue Community Facilities District No. 2006-1 Series 2019 30-Year Bonds, in an aggregate principal amount not to exceed \$12,000,000, to finance the acquisition of public facilities built by the developer of East Garrison. These public facilities were constructed pursuant to the terms of the East Garrison Disposition and

Development Agreement (“DDA”) approved in 2005, which contemplated the possible issuance of up to \$27,000,000 in such bonds. The bonds will be secured by the Special Tax levied by EGCFD, on the property owners within the District. Mello-Roos Bonds are known as “no-obligation bonds,” meaning that neither the full faith and credit nor the taxing power of the County of Monterey (County), EGCFD, or East Garrison Public Financing Authority (EGPFA) is pledged to guarantee the bonds. Therefore, none of the three agencies incurs a financial risk as a result of EGCFD’s issuance of the proposed Series 2019 Bonds. If approved, the issuance of the bonds will be done in strict compliance with EGPFA policies relative to this activity.

DISCUSSION:

The East Garrison DDA obligated the Redevelopment Agency (now Successor Agency) of the County of Monterey, the County, and the developer to consider the creation of a Community Facilities District to finance the acquisition of public facilities built by the developer in East Garrison. In 2006, to meet this obligation, the County and East Garrison Community Services District (EGCSD) created a Joint Powers Authority known as the East Garrison Public Financing Authority (EGPFA). EGPFA created Community Facilities District 2006-1, the East Garrison CFD (EGCFD). The Governing Board of the EGPFA also approved a Special Tax to fund the acquisition of public facilities and to pay for public services in EGCSD. Approximately half of this Special Tax is dedicated to the acquisition of facilities. The remaining half is dedicated to funding public services related to East Garrison. The EGCFD formation documents adopted by the EGPFA provide for the issuance of bonds, not to exceed \$27,000,000 in aggregate, to finance the acquisition of public facilities built by the East Garrison developer. A maximum of \$20,000,000 may be allocated to developer reimbursement and \$7,000,000 to overhead and administration costs.

The Mello-Roos Community Facilities Act of 1982 (the Act) provides that a community facilities district (CFD) may finance the acquisition of public improvements or facilities constructed by a developer, pursuant to an agreement stipulating the terms of such acquisition. A Funding, Disclosure, and Joint Community Facilities Agreement (“Facilities Agreement”), meeting the terms stipulated in the Act, was approved on June 20, 2006, among the EGPFA, EGCSD, County, and East Garrison Partners 1, LLC, the developer at that time. This agreement described public facilities to be constructed by the developer and acquired by the County. A separate agreement involving the Marina Coast Water District (MCWD) was adopted on July 11, 2006 for the facilities to be acquired by MCWD. Both agreements are referred to collectively as the “Facilities Agreement” and/or “Facilities Agreements” in this report.

Acquisition of public facilities by a CFD is usually financed by bonds it issues. The special tax imposed within the CFD boundaries is the revenue source to pay back the debt created by the bonds, known as Mello-Roos Bonds. The developer has requested that the CFD consider issuing the 2019 series of Mello-Roos bonds to finance the acquisition of public facilities associated with Phase 3 of the East Garrison Development. The developer is seeking the remaining allowance of \$11,670,567, from the \$20,000,000 provided in the DDA, as reimbursement for the public facilities constructed. If approved, this will be the last reimbursement to the developer, and no further bonds will be issued. Attachment H provides a detail explanation of EGPFA’s financial policy regarding its reserve fund, annual special tax revenue, and funds available for Developer Reimbursement. County staff, acting as staff for the East Garrison Public Financing Authority (“Authority”), assembled the necessary team of consultants to structure the Series 2019 Bonds. Attachment I lists team

members and the services they provide.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office, County Counsel, and RMA are actively involved in the bond issuance and management process. The Treasurer-Tax Collector continues to manage the annual tax imposition and collection process, assisted by specialized consultants hired by EGPFA. The County Auditor will be involved in the financial processes associated with the management, reporting, and auditing of the Series 2019 Bonds. The County Officials mentioned reviewed the documents associated with the proposed Series 2019 Bond issuance.

FINANCING:

EGPFA is obligated to reimburse the developer for \$20,000,000 in infrastructure costs. Series 2016 bonds funded the first round of the reimbursement. EGCFD will comply with its commitment to impose the Special Annual Tax, to use the proceeds of the tax to make debt-service payments, and to manage the Series 2019 Bonds pursuant to the Indenture. The bonds have a thirty- (30-) year maturity date. The proposed bonds will have no financial impact upon or pose a financial risk to the County General Fund, EGCSF, or EGPFA. None of these agencies assume any financial risk or liability for any payment associated with the proposed Series 2019 Bonds. A reserve fund is maintained to meet debt-service obligations should the tax revenues be insufficient to make the bond payments.

With the issuance of the Special Tax Bonds, Series 2019, EGCFD will acquire the public facilities built by the developer in the amount of \$11,670,567. The funds to finance the acquisition may come entirely from the bond proceeds or a combination of bond proceeds and supplemental funds available from the Trustee. To properly account for this transaction, RMA staff is requesting to modify the FY 2019-20 Adopted Budget for EGCFD Fund 180, Appropriation Unit RMA105, by increasing Infrastructure appropriations by \$11,670,567 and Contributions from Property Owners revenue by \$11,670,567. Fund 180 currently includes \$198,440 of developer reimbursement funds that are to be transferred to the Trustee as part of the bond issuance process. This transfer is necessary to reduce the bond amount. Items f and g authorize this transfer of funds.

Interest rates for the Series 2019 Bonds are determined at the time of issuance following Board approval, subject to the provisions and conditions of the Official Statement and other associated documents included with this report. Following the practice for the Series 2016 Bonds, Series 2019 Bonds are not rated.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The recommended action supports the Board of Supervisors Strategic Initiatives for Economic Development, Health & Human Services, and Infrastructure by funding the development of critical roadway, water, sewer, and other infrastructure related to the East Garrison development. The development provides new residential units, including affordable housing opportunities, commercial use, and public park and open space.

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

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Reviewed by: Shawne E. Ellerbee, RMA Deputy Director of Administrative Services

Approved by: Carl P. Holm, AICP, Director, Resource Management Agency

Attachments:

Attachment A - Frequently Asked Questions

Attachment B - Authorizing Resolution

Attachment C - First Supplemental Indenture

Attachment D - Continuing Disclosure Agreement

Attachment E - Preliminary Official Statement

Attachment F - Bond Purchase Contract

Attachment G - Appraisal

Attachment H - EGPFA Financial Policy

Attachment I - Series 2019 Bonds Consultant Team

(Attachments on file with Clerk of the Board)