

# County Debt Priorities Board of Supervisors Meeting

November 12, 2024



# Order of Presentation

- County Debt Duties
- Role of the Municipal Advisor
- Debt Management Policy & Debt Advisory Committee
- Current Debt
- Debt Capacity
- Prioritization of Projects and Potential Debt



# Debt Duties as of 2017

Before 2017, the County's debt management roles were housed under a debt manager in the Auditor-Controller's Office.

From 2017 the CAO directed that debt management responsibilities be distributed to various departments based on appropriate roles.

## MONTEREY COUNTY

COUNTY ADMINISTRATIVE OFFICE



### MEMORANDUM

**DATE:** July 3, 2017  
**TO:** Board of Supervisors  
Department Heads  
**FROM:** Lew C. Bauman  
County Administrative Officer  
**SUBJECT:** County Debt Management Responsibilities

The Offices of the Auditor-Controller, County Counsel, CAO, and Treasurer-Tax Collector, will serve to collaborate in performance of debt management functions for the County. The following table summarizes the key activities and respective offices that will take lead in coordinating the particular debt management functions.

# Distribution of Debt Duties (continued)

## CAO

Coordinate credit rating reviews

TEFRA administration (hearings)

Manage long-term debt issuance and refinancing

Issue TRANS

Manage and hire municipal advisors for the County.

## Auditor-Controller

Continuing Disclosures

Debt Accounting Activities (paying debt service/accounting for debt activities)

## Treasurer-Tax Collector & County Counsel

Respond to schools regarding school long-term debt or TRANS issuances.

# The Role of Our Municipal Advisor

- KNN Public Finance has been the County's municipal advisor (formerly called financial advisor) since 2017 when the CAO took on the long-term debt issuance responsibilities.
- They were instrumental in 2017 and 2019 COP refunding, in the establishment of our debt policies and following federal continuing disclosures.
- David Leifer is a managing director.
- "On-call" agreement where KNN serves as an Independent Registered Municipal Advisor (IRMA) to the County
  - Debt Affordability Model and analysis
  - Prepare preliminary financing plans and debt service schedules for proposed financings, etc.

# Debt Management Policy & Debt Advisory Committee

- The Debt Management Policy was updated in 2017 to comply with state code and add best practices.
- The policy reestablished the Debt Advisory Committee (DAC) (previously dissolved in prior policy revisions in 2012).
- DAC consists of the Auditor-Controller, Treasurer-Tax Collector, and County Administrative Officer, or their designees, for the purpose of reviewing and advising the Budget Committee, Capital Improvements Committee, and the Board regarding proposed and existing debt issues.

# Current Debt



The County has various types of outstanding long-term obligations:

- Certificates of Participation
- Revenue Bonds
- Special Assessment Bonds
- Other Notes and Direct Borrowings



Long-term obligations are reported in the ACFR and Recommended Budget Book across governmental and business type activities



The General Fund primarily secures the following obligations:

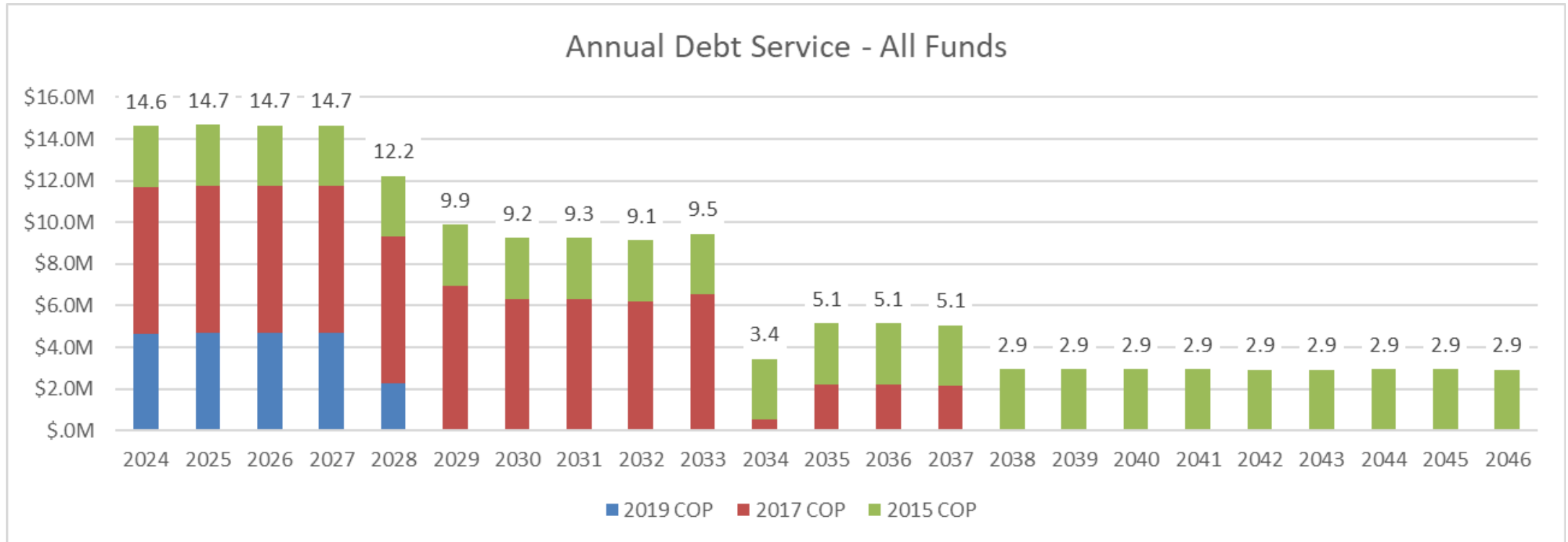
- 2015 Certificates of Participation (Public Facilities)
- 2017 Certificates of Participation (Refunding split between General Fund and Natividad)
- 2019 Certificates of Participation (Refunding)

# Outstanding Certificates of Participation (COPs) backed by the General Fund

Issuance	Purpose	Original Principal Amount	Principal Balance as of July 1, 2023	General Fund Funded	Natividad Funded	General Fund Average Annual Debt Service	Natividad Average Annual Debt Service	Final FY Maturity
2015 COPs	Finance tenant improvements at the Schilling Place Complex, fund renovations of the East and West Wings.	\$48.4M	\$42.5M	\$42.5M	\$ -	\$2.9M	\$ -	FY46
2017 COPs	Prepay of the County's COPs (2007 Refunding County and Public Facilities Financing), including Natividad	\$78.6M	\$57.8M	\$54.9M	\$2.9M	\$5.1M	\$0.3M	FY37
2019 COPs	Refund the balance of Natividad Medical Center's 2009 and 2010 Certificates	\$29.0M	\$18.8M	\$ -	\$18.8M	\$ -	\$4.2M	FY28
		\$156.0M	\$119.0M	\$97.4M	\$21.6M	\$8.0M	\$4.5M	



# COPs Debt Service By Fiscal Year



# Other County Debt Not Obligated by the General Fund

Issuance	Purpose	Agency	Original Principal Amount	Principal Balance as of July 1, 2022	Average Annual Debt Service	Final FY Maturity
2018 Revenue Refunding Bonds	Originally issued to finance the Salinas Valley Water Project.	MCWRA	\$22.9M	\$19.6M	\$1.8M	FY38
Loans Payable	Bureau of Reclamation - (Infrastructure and Facility Improvements).	MCWRA	\$35.0M	\$17.1M	\$1.7M	FY38
NGEN	Finance acquisition, construction and installation of communications system.	Emergency Communicaiton User Agencies	\$8.5M	\$1.6M	\$0.8M	FY24
Special Assessment Bonds with Governmental Commitment	Chualar Water District (Infrastructure and Facility Improvements).	Chular County Service Area	\$0.3M	\$0.0M	\$0.0M	FY26
Revenue Bonds - Special Districts	Boronda Sanitation District	Boronda Sanitation District	\$1.2M	\$0.1M	\$0.0M	FY26
Notes Payable	Parks & Recreation (Acquire Recreational Properties) - Lake San Antonio.	Monterey County	\$4.2M	\$0.1M	\$0.1M	FY24
Notes Payable	Parks & Recreation (Acquire Recreational Properties) - Lake Nacimiento.	Lake Nacimiento Resort - Enterprise Fund	\$11.3M	\$0.4M	\$0.6M	FY24
<b>Total</b>			<b>\$83.4M</b>	<b>\$38.9M</b>	<b>\$5.0M</b>	

# Debt Capacity Analysis

- Considerations
  - There are a spectrum of factors and constraints that impact the County's capacity to issue debt.
    - Legal Debt Limit: based on % of Assessed Valuation and attributable to General Obligation Bonds (GOs).
    - Credit: Strength of credit rating and cost of capital vs pay as you go.
    - Policy: based on the County's debt management or other financial policy that may control or limit long-term obligations.
      - Recommendation of Debt Advisory Committee
    - **Affordability: based on the County's budgetary capacity and resources (revenue) to repay debt.**

# Debt Capacity Analysis, Conclusion

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The capacity analysis suggests the County could issue a significant amount of additional debt (\$240 million) and still maintain its current debt and contingent liability score of “Very Strong.”



How much additional debt the County can prudently incur in the future may depend in large part on a variety of other factors, such as the extent to which the County’s other fixed obligations (pensions, MOEs, etc.) are manageable and other financial metrics such as budgetary performance, budgetary flexibility and liquidity.

# Priority Projects for Debt Issuance

ID#	Project Name	FY 24/25 Budget	Future Unfunded Need
A	Seaside Community Benefits Office Replacement - 1281 Broadway Ave Seaside	\$ 3,312,419	\$ 107,209,824
B	Pajaro Mansion Campus Post Storm Restoration	\$ 1,376,736	\$ 4,947,815
C	New Bradley Library and Resiliency Center Project	\$ 33,926	\$ 3,573,074
D	Proposed Constitution Parcel Project	\$ 976,100	\$ 200,000,000
E	Pajaro Library Branch Rehabilitation	\$ 344,588	\$ -
F	King City Courthouse Parking Lot Repaving- 250 Franciscan Wy	\$ 1,624,665	\$ 1,411,813
G	South County Ag Commissioner Facility Development	\$ 2,635,004	\$ 1,384,625

- Pajaro library project shows zero unfunded need as indicated in the October 8, 2024 report
- Future unfunded need amounts for projects could change as PWFPP further defines project scope as many of these projects are in the early stages, so the financed amount costs could potentially change



# KNN's Presentation