



# COUNTY OF HUMBOLDT

For the meeting of: 9/15/2020

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File #: 20-1074

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**To:** Board of Supervisors

**From:** Treasurer/Tax Collector

**Agenda Section:** Consent

**SUBJECT:**

Resolution Authorizing the Leasing of the County Jail and the Prepayment of the County's 2012 Facilities Sublease in order to Finance Various Capital Improvement Projects

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve Resolution # \_\_\_\_\_ (Attachment 1) to authorize the leasing of the county jail and the prepayment of the county's 2012 Facilities Sublease in order to finance various capital improvement projects.

**SOURCE OF FUNDING:**

County Treasury Pool

**DISCUSSION:**

Your Board approved the 2020 Interim Period Lease Finance plan ('Finance Plan') on June 2, 2020 with Resolution # 20-47 (Attachment 2) and approved Resolution No. 20-68 (Attachment 3) on July 28, 2020 authorizing the county to enter into a lease transaction to finance various capital improvements projects, including furniture and equipment for various county buildings (collectively, the 'Project') by leasing the county Courthouse.

Subsequent to those approvals it was determined by Bond Counsel for the Finance Plans that Government Code Section 70344 puts limits on the ability of the county to lease the county Courthouse so it will be more beneficial to the county to finance the Project by simultaneously refinancing the county's obligation to make lease payments under the Facility Sublease dated as of June 1, 2012 (the "2012 Lease") and leasing Phase One and Phase Two of the county Jail in accordance with the terms of financing approved under Resolution No. 20-68.

Your Board's approval of the Resolution will allow the Humboldt County Public Property Leasing Corporation (HCPPLC), a California nonprofit public benefit corporation that the county has utilized to facilitate prior financings, to be the lessor of the Jail for the term of the financing with the county

leasing back that property from the HCPPLC. The rent payments paid by the county to the corporation under this arrangement will serve as the basis for the Finance Plan.

The plan to finance the Project and to refinance the 2012 Lease as described herein was presented and approved by the county Debt Advisory Committee (the “DAC”) on August 26, 2020 in accordance with the Humboldt County Debt Management Policy dated June 27, 2017 (the “Debt Policy”). The DAC reviewed the proposed transaction in accordance with the provisions of the Debt Policy and recommends to your Board that it proceed with the refinancing of the 2012 Lease and the use of the county Jail in accordance with the terms of financing approved by Resolution No. 20-68.

Through the adoption of Resolution No. 20-68 in July and with the adoption of this Resolution the County will have taken all the actions required to lease the County Jail to complete the Finance Plan, and the refinancing of the 2012 Lease.

The prepayment of the county’s 2012 Facilities Sublease is required to unencumber the Jail Phase Two as collateral used for the 2012 financing through a private placement with Bank of America (BofA). (Attachment 4). The approximately \$8 million (MM) dollars remaining on that private placement will be paid to BofA on September 30, 2020 and thereby terminate the 2012 financing arrangement with BofA.

The attached ‘Condition of Title’ report (Attachment 5) from Fidelity National Title company shows the facility sublease on APNs 001-091-003-000 and 001-091-004-000 with the HCPPLC to be cleared for this new lease transaction to be put in place.

In turn that \$8 MM remaining debt from the 2012 financing will be transferred to, and become a debt within, the 2020 Finance Plan, and be held as a security in the Treasury Pool with interest paid biannually benefitting pool participants.

**FINANCIAL IMPACT:**

There will be interest savings of approximately \$ 152,000 per year due to the reduced interest costs from the BofA private placement (average 2.65%) to the Treasury Pool (estimate .75%) because of lower market interest rates today compared to interest rates in 2012 for that financing. The 2020 Finance Plan will provide \$32 million in funding to address longstanding American’s with Disability Act and deferred maintenance projects in an expeditious manner. At the expiration of the Finance Plan, long-term financing will be sought.

**STRATEGIC FRAMEWORK:**

This action supports your Board’s Strategic Framework by managing our resources to ensure sustainability of services .

**OTHER AGENCY INVOLVEMENT:**

The HCPPLC will meet to review and approve a resolution authorizing the corporation to enter into this arrangement with the county (Attachment 6) once approved by Your Board. The HCPPLC is presently a party to the 2012 Refunding, as well as numerous other financings and refundings for the

county, including the 2016 Interim Period Finance Plan.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve and authorize execution of this Resolution but that is not recommended because it will postpone the 2020 Interim Period Financing Plan which could delay various capital improvement projects.

ATTACHMENTS:

1. Resolution # \_\_\_\_\_ authorizing the leasing of the county jail and the prepayment of the county's 2012 Facilities Sublease in order to finance various capital improvement projects.
2. Resolution # 20-47
3. Humboldt County Board Resolution 20-68 approved July 28, 2020
4. Bank of America early termination payoff letters
5. Condition of Title Report on APNs 001-091-003 & 004
6. HCPPLC Resolution Authorizing Lease of County Jail and 2012 Refunding

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: July 28, 2020

File No.: # 20-560