



COUNTY OF HUMBOLDT

For the meeting of: 6/2/2020

File #: 20-560

To: Board of Supervisors

From: Treasurer/Tax Collector

Agenda Section: Consent

SUBJECT:

2020 Interim Period Lease Financing Program

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve and sign the attached Professional Services Agreement (PSA) for contractual services for Bond Counsel with the law firm of Stradling, Yocca, Carlson & Rauth to draft various legal documents with and for the county to facilitate a 2020 Interim Period Lease Financing (IPLF) Program (described below) to fund various future capital improvements and projects;
2. Approve and sign the attached PSA for contractual services for Placement Agent services with Raymond James to facilitate the interim period lease financing draws within the 2020 IPLF program in the same or similar fashion as Raymond James has done previously for the 2016 IPLF program; and for facilitating future draws for various future capital improvements and projects authorized within the 2020 Interim Period Lease Financing program;
3. Approve and sign the attached Resolution showing your Board's intention to reimburse the costs incurred for the 2020 IPLF program with a public offering of tax-exempt obligations to reimburse the County of Humboldt Treasurer's Pooled Investment Fund (the "Pool");
4. Authorize the County Auditor-Controller to establish a 'debt service fund' for the reconciliation of all transactions executed within the 2020 IPLF program to satisfy generally accepted accounting principles. (Fund request attached); and
5. Authorize the County Administrative Officer or designee to fund capital improvement projects in accordance with the 2020 Finance Plan, on an as-needed basis, without further action of the Board.

SOURCE OF FUNDING:

Interim financing to be done through the Investment Pool as approved in the Investment Policy revision dated Apr. 12, 2016. Long term financing will be through a public issuance of tax-exempt obligations once the projects have been completed (anticipated to be late in calendar 2023).

DISCUSSION:

Your Board approved the attached 2016 IPLF on June 21, 2016. Pursuant to the 2016 IPLF and Board Resolution 16-42 adopted Apr. 19, 2016, and the Lease Agreement by and between the Humboldt

County Public Property Leasing Corporation and Humboldt County dated July 1, 2016, the county decided to exercise its option to purchase the Leased Premises pursuant to Section 4.5 of the Lease Agreement as of Jan. 15, 2020. Therefore the county terminated the 2016 IPLF Agreement by remitting the payoff of \$ 388,220.36 due to the Treasurer's Pool on Jan. 15, 2020.

This item is before your Board to establish a 2020 IPLF program which will mimic the 2016 IPLF to fund additional capital projects with leases and/or certificates of participation purchased by the County of Humboldt Treasurer's Pooled Investment Fund. Ultimately, the county intends to issue up to Fifty Million Dollars (\$50,000,000) in a tax-exempt borrowing (the "Permanent Financing") to take out the 2020 IPLF program in FY 2023-2024 and pay for related costs of issuance, including, if cost effective, a debt service reserve fund and bond insurance.

In order to enable the county to issue the Permanent Financing on a tax-exempt basis, it is necessary for the county to adopt a reimbursement resolution expressing its intention to finance various projects with the Permanent Financing. The county adopted Resolution No. 16-42 in 2016 listing certain projects to be funded with the Permanent Financing. There is now a desire to update the dollar amounts for certain projects listed in 2016 and to expand the list of projects as indicated below:

ADA Courthouse Project	\$1,360,000
ADA Curb Ramps	\$297,000
ADA Fiscal Year 19-20 Projects	\$1,700,000
ADA Jail Showers Project	\$1,800,000
ADA Probation Main Project	\$200,000
ADA Veterans Building Project	\$250,000
Airport Restaurant	\$250,000
Corrections Resource Center	\$2,274,000
Eureka Veterans Building Media Project	\$1,000,000
Eureka Veterans Building Seismic Repair Project	\$73,037
Fifth Floor of Courthouse	\$3,166,311
Garberville Mini Complex	\$2,800,000
Jail Security	\$1,100,000
Juvenile Hall	\$2,000,000
New Building 1001 4th	\$1,175,812
Weights & Measures Building	<u>\$1,140,000</u>
	\$20,586,160

The remaining \$29,413,840 will be made available for unforeseen project expenses as approved by the County Administrative Office and make funds available for initial steps needed to facilitate initial stages of a facilities master plan. The facility master planning document will be coming to your Board for approval at a later date.

By adopting the attached resolution, these projects will become eligible to be refinanced on a tax-exempt basis with the Permanent Financing subject to the limitations discussed below.

Federal tax laws require that reimbursement for hard cost construction draws must be made within 18 months of the date a project is placed in service and in no event may the reimbursement be made more than 36 months after the draw date. Therefore the 2020 IPF, as did the 2016 IPF, must follow the three-year-rule whereby project construction draws are refunded, or permanently funded through publicly issued debt, in order to utilize and maintain that tax-exempt status.

Both the 'interim period' and 'long-term' financing require legal documentation which will be provided by Bond Counsel and specific handling procedures in-order-for these methods of public indebtedness to be granted. Since county staff does not have the training and/or expertise for establishing these financing arrangements, PSAs with legal and financial corporations with the needed expertise must be established. Hence the following recommendations:

Recommendation 1: The PSA recommended for approval and signing for Bond Counsel (Attachment 1) is for the legal documentation required for the 2020 IPF Program.

Recommendation 2: The PSA recommended for approval and signing for Placement Agent (Attachment 2) is for following the lawful requirements as designed by Bond Counsel, and for directing the procedural requirements of money handling during the interim period financing, and for guidance of the interest rate spread per comparable market rates for each draw facilitated within the 2020 IPF program.

Government code section 31000 permits the Board of Supervisors to contract for these special services with individuals and companies specially trained, experienced and competent to provide those services such as the above mentioned Bond Counsel and Placement Agent firms which both have solid reputations for providing these services.

Recommendation 3: The Resolution (Attachment 3) reflects your Board's intention to publicly issue those tax exempt obligations to reimburse the Pool for project costs incurred prior to the public issuance of the long term debt obligations.

Staff also recommends that your Board authorize the County Administrative Officer or designee to fund capital improvement projects in accordance with the 2020 Financing Plan, on an as-needed basis, in order to increase the efficiency and effectiveness of county operations.

FINANCIAL IMPACT:

The following fees for Bond Counsel and Placement Agent will be payable from proceeds of the Interim Financing:

- Bond Counsel - the maximum amount payable by the county for services rendered, related to Interim Financing is Thirty Thousand Dollars (\$30,000.00), at the following rates:
Shareholders: \$525/hr. Associates: \$340/hr. Paralegals: \$130/hr.
- Placement Agent - the maximum amount payable by the county for services rendered, and costs and expenses incurred, is \$42,500.00.

The 2020 IPF program is part of an investment of up to \$23 million which will move the County in the

direction of having campuses where like functions are grouped together for better public service.

Your Board should be aware that staff intends to return in the future to seek authorization to finance an amount up to the aforementioned \$23 million to pay back the Pool all money borrowed through the 2020 IPF program.

By signing the PSAs and Resolution the County shows a solid plan for financing much needed capital improvements that will enhance public services into the future. These plans show the proactive nature of your Board to follow the strategic framework you've established to serve the needs of the community.

STRATEGIC FRAMEWORK:

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

OTHER AGENCY INVOLVEMENT:

The Humboldt County Public Property Leasing Corporation will meet to review and approve documents. This Corporation is presently a party to the 2012 Refunding of the 2003 and 2004 COPs, the 2016 IPF, and will be a party to the 2020 IPF program.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may decide to not authorize the proposed financing plan for the 2020 IPF program. This alternative is not recommended because it would cease the County Administrative Office and all other departments involved from using this very cost effective financing plan to fund future projects, counteract your Board's motion to secure funding per Board Order H.3, and stop the Capital Improvement Projects listed therein.

ATTACHMENTS:

1. PSA with Stradling Yocca Carlson & Rauth for Bond Counsel services.
2. PSA with Raymond James for Placement Agent Services
3. Resolution of the Board of Supervisors intention to issue tax-exempt obligations
4. 2020 IPLF Debt Service Fund request
5. 2016 Interim Financing D-21

PREVIOUS ACTION/REFERRAL:

Board Order No.: D-21

Meeting of: June 21, 2016