



COUNTY OF HUMBOLDT

For the meeting of: 7/28/2020

File #: 20-904

To: Board of Supervisors

From: Treasurer/Tax Collector

Agenda Section: Consent

SUBJECT:

2020 Interim Period Lease Financing (IPLF) Document Authorization to Finance Various Capital Improvement Projects

RECOMMENDATION(S):

That the Board of Supervisors:

1. Adopt Resolution # _____ (Attachment 1) authorizing the execution and delivery of certain documents and authorizing certain actions described in items 2 through 6 below in order to finance various capital improvement projects;
2. Approve the Site Lease (Attachment 2) by and between the County of Humboldt (County) and the Humboldt County Public Property Leasing Corporation (HCPPLC) dated August 1, 2020, relating to various capital improvement projects; and authorize the County Administrative Officer (CAO) or her designee to execute the agreement substantially in the form presented;
3. Approve the Lease Agreement (Attachment 3) by and between the HCPPLC and the County of Humboldt dated August 1, 2020, relating to various capital improvement projects; and authorize the CAO or her designee to execute the agreement substantially in the form presented;
4. Approve the Assignment and Purchase Agreement (Attachment 4) by and between the HCPPLC and the Treasurer-Tax Collector (T-TC) of the County of Humboldt dated August 1, 2020; and authorize the T-TC or his designee to execute the agreement acting on behalf of the Humboldt County Treasury Pool substantially in the form presented;
5. Approve the Termination Agreement (Attachment 5) by and among the HCPPLC, the County and the T-TC dated August 1, 2020, to terminate all of the documents related to the 2016 Interim Period Finance Plan substantially in the form presented; and
6. Direct the Auditor-Controller to use the '2020 IPLF Debt Service Fund' for tracking and reconciliation of all transactions associated with financing of said projects per Board authorization on June 2, 2020.

SOURCE OF FUNDING:

County treasury pool for interim period lease financing. General fund for payment of debt service obligations.

DISCUSSION:

The recommendations above are for the approval and execution of the required legal documentation related to the financing of the capital improvement projects as approved by your Board on June 2, 2020; File # 20-560 (Attachment 6).

The adoption of the Resolution and the execution of the Site Lease, Lease Agreement, and Assignment and Purchase Agreement, are requested in order to provide the legal framework necessary for the county to use the treasury pool for interim period funding of planned capital improvement projects. Your Board's authorization will allow the County to lease the Courthouse (APN: 001-191-002) to HCPPLC, a California nonprofit public benefit corporation that the County has utilized to facilitate prior financings, and to lease the Courthouse (APN: 001-191-002) back from HCPPLC for the term of the financing. The rent payments paid by the County to HCPPLC under this arrangement will serve as the basis for the interim period financing.

All of the aforementioned documents are needed to ensure compliance with state law requirements for this type of financing; and the lease financing agreements will be in force until all lease payment obligations associated with this financing are paid in full and the county treasury pool is repaid.

The 'Lease Agreement by and between the HCPPLC and the County of Humboldt' (Attachment 3) specifies all facets of the lease agreement, and includes exhibits to be used for recording and tracking the draws which will be purchased by the county treasury pool for financing the various capital improvement projects.

The 'Assignment and Purchase Agreement by and between the HCPPLC and the Treasurer-Tax Collector of the County of Humboldt' (Attachment 4) authorizes the Treasurer-Tax Collector, as "assignee," to act on behalf of the county treasury pool and to purchase all of the rights of the HCPPLC under the Site Lease and the Lease Agreement, including the right to receive the lease payments from the County as an investment for the pool. The lease payments are the sum of the draws from the county treasury pool to fund the capital improvements plus the interest accruing with respect to each draw. These draws from the treasury pool will accrue interest at 0.50% above prevailing market rates for a city or county "A" rated obligation of a similar duration thereby making the purchase of benefit to all pool participants. Exhibit C in the 'Lease Agreement' (Attachment 3) shows the intended 0.50% spread over comparable market securities which, for the entirety of the agreement will provide solid investment returns for the pool; and from the treasury pool's perspective the purchase of these rights under the Site Lease and the Lease Agreement is a prudent investment and is permissible per the county investment policy.

To reconcile costs associated with all draws from the treasury pool an invoice (Attachment 7) will be used to cause money to be moved to pay lease payments due and as an internal mechanism for tracking and auditing purposes.

The 2020 IPLF plan to finance the capital improvement projects and these specific documents were presented to, and approved by, the County's Debt Advisory Committee (DAC) on July 13, 2020, in

accordance the Humboldt County Debt Management Policy; and the DAC recommends your Board approve and authorize these documents to allow the finance plan to be enabled as of August 1, 2020.

FINANCIAL IMPACT:

By adopting the Resolution and approving the Site Lease, Lease Agreement, and the Assignment and Purchase Agreement the County will be authorizing a very cost effective mechanism for interim period financing through the county investment pool for the various capital improvement projects previously presented to the Board on June 2, 2020, and as described herein. This financing arrangement will save the County money by allowing the County to draw money as needed from the county investment pool while the County plans, engineers, and constructs the capital projects to be financed. This method of as-needed financing will save interest costs compared to borrowing all money needed for the entirety of the projects up front and being required to pay interest on that borrowed money even though it would only be needed in stages as the projects are implemented. Further, this arrangement will minimize the costs of issuance associated with the borrowing. It is anticipated that when all of the capital projects have been completed the County will refinance the interim period lease financing with long-term Certificates of Participation or Lease Revenue Bonds.

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 the documents. 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 these documents, but this is not recommended because it will stop the 2020 interim period financing plan and thereby stop the planning processes needed for the various capital improvement projects.

ATTACHMENTS:

1. Resolution # _____ A resolution authorizing the execution and delivery of certain documents and authorizing certain actions in order to finance various capital improvement projects
2. Site Lease by and between County of Humboldt and the HCPPLC
3. Lease Agreement by and between the HCPPLC and County of Humboldt
4. Assignment and Purchase Agreement by and between the HCPPLC and the Treasurer-Tax Collector of the County of Humboldt
5. Termination Agreement by and among the HCPPLC, the County, and the T-TC
6. Invoice for Accrued Interest Component for 2020 Interim Period Lease Financing on Behalf of Humboldt County Treasury Pool

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PREVIOUS ACTION/REFERRAL:

Meeting of: June 2, 2020

File No.: 20-560