# COUNTY OF MARIN OFFICE OF THE ADMINISTRATOR

3501 CIVIC CENTER DRIVE, SUITE 325, SAN RAFAEL, CA 94903

415/499-6358 - FAX 415/507-4104

Matthew H. Hymel County Administrator

Mona Miyasato Chief Assistant County Administrator

September 14, 2010

Board of Supervisors Marin County Civic Center 3501 Civic Center Drive San Rafael, California 94903

SUBJECT: Resolution Approving the form and Authorizing the Financing and

Refinancing of Capital Improvements and Authorization to Execute Lease

Financing documents in connection with the Offering and Sale of

Certificates of Participation

Dear Board Members:

### RECOMMENDATION:

Adopt Resolution Approving the Form and Authorizing the Execution of Certain Lease Financing Documents in Connection with the Offering and Sale of Certificates of Participation Relating thereto to Finance and Refinance Capital Improvements, and Authorizing and Directing Certain Actions with Respect Thereto.

#### SUMMARY:

On April 20, 2010, your Board adopted Resolution 2010-24 appointing a Financial Advisor, appointing a Bond and Disclosure Counsel, and authorizing staff to commence with the preparation of documents relating to a lease financing and utilizing certificates of participation (the "Securities") to refinance the County's outstanding 1998 Certificates of Participation and to finance new capital improvements for the County. The County's Debt Advisory Committee, consisting of the Director, Department of Finance, County Counsel, the Treasurer, and the County Administrator, have been working with these advisors to draft the documents required for the issuance of the Securities.

Many municipalities are taking advantage of the historically low current interest rate environment to refinance or issue new securities to minimize interest expenses, as it is widely projected that interest rates will rise in the future when the national and local economies come out of the current economic downturn. The Debt Advisory Committee also recommends that the County reshape its debt structure to raise additional capital funds within our current budget for debt service payments.

Proceeds from this proposed financing will be used for capital improvements. For example, the County has been planning for a new Emergency Operations Facility (EOF) project that will meet California essential service facility standards that will house

Board of Supervisors September 14, 2010 Page 2 of 4

the Marin County Sheriff Department's Emergency Operations Center and other County programs that need to be available after a major seismic event. Although no final site has been selected by your Board, staff anticipates that much of the proceeds could be used to fund the EOF project.

If funds are not used for the EOF, the net proceeds could be used for other high priority capital improvements. The County's long-term restructuring plan identified over \$40 million in deferred maintenance and code upgrades needed in existing facilities. In addition, the Marin County Fire Department is in process of completing a long-term facility plan which identifies significant costs to upgrade or rebuild fire facilities.

The Debt Advisory Committee reviewed alternative forms of securities including Build America Bonds and Lease Revenue Bonds before determining the best alternative for Marin County is to recommend certificates of participation as the instrument to facilitate the financing.

In 1998, the County issued certificates of participation (COP) in two series, A and B, in the aggregate principal amount of \$45,980,000. Series A matures in the year 2022 and currently has \$16,790,000 remaining outstanding, while series B matures in the year 2011 with \$3,725,000 remaining outstanding. The Series B securities will be paid and retired through the proceeds of the new Securities. Funds from the Series A securities were primarily used to seismically upgrade the Hall of Justice to the standards required by the State for its Court facilities. The Courthouse Construction Fund revenues have been used to partially support the debt service payments on the 1998 Series A issue. The refinancing of Series A will not extend the term past the existing year of expiration in 2022. The County Administrator has reviewed the plan with the Court's Chief Executive Officer to continue the use of the Courthouse Construction funds for this purpose through the current schedules' final payment in 2022.

The Civic Center is the asset collateral behind the 1998 COPs, and will continue to be the collateral, held by the Marin County Capital Improvements Financing Authority ("Authority") for these Securities. The Authority was formed in 1991 in order to facilitate this type of financing arrangement.

The Department of Finance recently completed the fiscal year 2008-09 audit and is up to date with County financial documents. These were submitted to the various credit rating agencies for review. On September 1<sup>st</sup>, County staff and our Financial Advisor made presentations regarding Marin County financial policies and status to Moody's and to Standard & Poor's rating agencies.

By adopting the Resolution, your Board will be directing staff to implement the financing described in the Preliminary Official Statement through a Notice of Sale of the Securities. The Financial Advisor plans to receive bids and award the Securities by the end of September through a competitive sale procedure that should provide the County with the most net proceeds after the refinancing of the 1998 series. If interest rates at the time of award remain near where they were at the beginning of September, the net proceeds to the County after the payoff of the 1998 issue, establishing a required reserve fund and paying the costs of issuance, are expected to be approximately \$32 to \$38 million, depending on actual interest rates.

Board of Supervisors September 14, 2010 Page 3 of 4

A copy of the complete set of all documents is in the Clerk's Office, as well as the County Administrator's Office, for review.

#### FISCAL IMPACT:

At current interest rates this issuance would result in net proceeds of approximately \$32-38 million, but would vary based on actual interest rates at the time of issuance. The required debt service payments for a period of 30 years will be within the County's current debt service budget which requires approximately General Fund support of \$3 million dollars annually. The attached graph shows the debt service payments over the next 30 years, with the 1998 Series A dropping off in the year 2022, as discussed above. There are no funds required by the County to execute these agreements. All costs of issuance, including the payment of fees to the Financial Advisor and Bond Counsel, are contingent upon the issuance of the certificates of participation, and all the fees will be recovered as part of the transaction.

Please feel free to contact me if you have any questions or concerns.

REVIEWED BY:	[X] Department of Finance	[ ] N/A
	[X] County Counsel	[ ] N/A
	I 1 Human Resources	[X] N/A

Respectfully Submitted,

David Speer

Facilities Planning & Development Manager

#### Attachments:

- 1. Resolution
- 2. Graph of debt service payments over 30 years
- 3. Draft Preliminary Official Statement

cc: Matthew Hymel, County Administrator Patrick Faulkner, County Counsel

Michael Smith, Treasurer

Mark Walsh, Director, Department of Finance

## Board of Supervisors September 14, 2010

## Attachment 1 to Board Letter

Graph of County general fund debt service payments over the next 30 years from the proposed reshaping of the debt structure.

