



Contra  
Costa  
County

To: Contra Costa County Public Financing Authority

From: David Twa, County Administrator

Date: February 14, 2017

Subject: AUTHORIZE ISSUANCE OF LEASE REVENUE BONDS, 2017 SERIES A

### **RECOMMENDATION(S):**

Acting as the Governing Board of the County of Contra Costa Public Financing Authority:

1. ADOPT Resolution No. 2017/56, approving the issuance by the Contra Costa Public Financing Authority of Lease Revenue Bonds (Refunding and Capital Projects), 2017 Series A, in a principal amount not to exceed \$105,000,000 to finance various capital projects and a refunding of outstanding bonds for savings;
2. APPROVE and AUTHORIZE the forms of and directing the execution and delivery of a Trust Agreement, Site Lease, Facilities Lease, a Continuing Covenant Agreement, an Escrow Agreement and related financing documents; and
3. APPROVE and AUTHORIZE the taking of necessary actions and the execution of necessary documents in connection therewith.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **02/14/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

#### **VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Diane Burgis, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: February 14, 2017

David Twa, County Administrator and Clerk of the Board of Supervisors

By: Stephanie Mello, Deputy

Contact: Timothy Ewell,  
925-335-1036

## FISCAL IMPACT:

Issuance of up to \$105 million in bond financing. In current market conditions, the County expects to issue \$9.525 million for new capital projects and approximately \$90.075 to refund existing lease revenue bonds. The refunding of eligible bonds at current market rates will save the County approximately \$9.3 million on a net present value basis through 2028.

## BACKGROUND:

The County has improvements to the Contra Costa Regional Medical Center, the Pittsburg Health Center, Contra Costa Health Services and the Women, Infant & Children Building in the approximate amount of \$9.5 million. In addition, a portion of the Authority's existing Lease Revenue Bonds can be refunded in the current market for debt service savings. In the current market, the Authority could issue approximately \$99,600,000 of fixed rate direct purchase 2017 Series A Bonds (the "2017A Bonds") to finance various improvements and to refund the Authority's outstanding 2007 Series A, 2007 Series B, and 2009 Series A Lease Revenue Bonds.

### • New Money Bonds:

- Capital Improvements - The Authority would finance approximately \$9,500,000 in various capital improvements. The bonds would have level debt service and amortize over 10 years, with principal paid from 2018 through 2027, in an approximate amount of \$1.08 million per year.

### • Refunding Bonds:

- The refunding portion of the 2017A Bonds would be structured with uniform savings by refunded series, and would include the 2007 A&B bonds and 2009A bonds, with a cumulative refunded principal amount of \$117 million.
- There is a debt service reserve fund associated with the refunded 2007 Series A and B bonds, a portion of which is funded with cash. The cash associated with the reserve fund will be contributed to the refunding escrow and will reduce the amount of bonds needed to be issued to refund the 2007A and B bonds. Refunding savings are dependent on market rates, but we anticipate a total cash flow savings of \$24.6 million and a net present value savings of \$9.25 million, or 7.91%, based on current market rates.

**1999 Trust Agreement:** The 2007 Series A and B potential refunded bonds were issued pursuant to the 1999 Trust Agreement and are the only bonds remaining under that Trust Agreement. The refunding of these bonds will release the leased assets from the 1999 Trust Agreement.

The 2017A Bonds would be issued under a new 2017 Trust Agreement. As with the Authority's existing Lease Revenue Bonds, the total value of the leased facilities must equal or exceed the par amount of the bonds and the fair market rental value of the leased facilities must equal or exceed the annual debt service payments on the bonds. The 2017A Bonds are not expected to have level overall debt service because the refunded bonds do not have level debt service. As such, the intention would be to secure the 2017A Bonds with several assets, with various lease maturity dates based on the shape of the 2017A debt service.

All of the above results are subject to market conditions at the time of financing.

Various documents are necessary to complete the financing and refunding, including a Trust Agreement, Site Lease, Facilities Lease, a Continuing Covenant Agreement, an Escrow Agreement and related financing documents (collectively, the "Financing Documents"). Through the Site Lease, the County leases certain facilities to the Authority. The County then leases back the facilities leased to the Authority under the Facilities Lease. Based on the revenue from the lease back of the facilities, and pursuant to the terms of the Trust Agreement, the Authority issues bonds and Wells Fargo Bank, National Association (WFB) acts as trustee for the bonds. Finally, under the terms of the Continuing Covenant Agreement, WFB will purchase the bonds and the County and Authority will take certain actions and deliver certain documents. The terms of the Continuing Covenant contain WFB's remedies

in the event that the County or Authority default on their respective obligations and requires the County and Authority to indemnify WFB for actions related to various Financing Documents and the bonds.

CONSEQUENCE OF NEGATIVE ACTION:

The Authority will be unable to issue the bonds, delaying construction and reimbursement of capital projects. In addition, the County would be unable to realize savings from refunding of existing debt.

CHILDREN'S IMPACT STATEMENT:

No impact.

ATTACHMENTS

Resolution No. 2017/56

Body of Resolution No. 2017/56

Trust Agreement

Facilities Lease

Site Lease

Escrow Agreement

Continuing Covenant Agreement