



# County of Santa Cruz

## COUNTY ADMINISTRATIVE OFFICE

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SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

July 27, 2005

**AGENDA:** August 2, 2005

Board of Supervisors  
COUNTY OF SANTA CRUZ  
701 Ocean Street  
Santa Cruz, California 95060

### **IMPLEMENTATION OF SPECIAL ELECTION RESULTS FOR COMMUNITY FACILITIES DISTRICT NO. 1 (FELTON)**

Dear Members of the Board:

On April 26, 2005 your Board held a public hearing in the Felton Community Hall concerning the creation of Community Facilities District No. 1 (Felton). At the conclusion of the public hearing among other things your Board, acting as the legislative body of Community Facilities District No. 1, adopted "A Resolution of the Board of Supervisors of the County of Santa Cruz, California Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Calling a Special Election for the Purpose of Approving a Special Tax Election Therein, the Issuance of Bonds by Said District and Establishment of An Appropriations Limit" calling for a special tax election which was administered by the County Clerk.

The special tax election was designated Measure W by the County Clerk. The Measure W election concluded at 8:00 PM on July 26, 2005 and the County Clerk has now provided a Canvass and Statement of Result of the Election which indicates that the special tax measure was approved by 74.8% of the registered voters voting in the special election.

#### **Implementation of the Results of the Election**

At this time it is appropriate to begin implementing the results of the election by declaring the results of the election, adopting an ordinance which provides for the initial special tax levy for the payment of the debt service on the \$1,000,000 Series A Bond (the Formation Bond) provided for in the Rate and Method of Apportionment Study (the "RMA") and authorizing the issuance of the initial bond of the Series A Bond. Attached are the following documents:

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1. A Resolution of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Declaring the Results of a Special Election and Directing Recording of a Notice of Special Tax Lien;
2. An Ordinance of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the community Facilities District No. 1 (Felton) of the County of Santa Cruz, Levying Special Taxes Within Community Facilities District No. 1 (Felton) of the County of Santa Cruz;
3. A Resolution of the Board of Supervisors of the County of Santa Cruz, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz Authorizing the Issuance of Its 2005 Special Tax Bonds (Series A) in a Principal Amount Not to Exceed One Million Dollars and Approving Certain Documents and Taking Certain other Actions in Connection Therewith;
4. A Bond Purchase Agreement Between the County and the Treasurer-Tax Collector of the County of Santa Cruz;
5. A Fiscal Agent Agreement by and between the Community Facilities District No. 1 of the County of Santa Cruz and the Bank of New York Trust Company, N.A.; and
6. A Private Placement Memorandum.

The preceding documents provide for the issuance of initial bond Series A Bond for the Community Facilities District No. 1 (Felton) (the "CFD"). As your Board will recall the Rate and Method of Apportionment Study for the CFD provided for two bonds - a Series A Bond and a Series B Bond.

The Series A Bond, which is called the Formation Bond, is the initial bond. The Formation Bond is a taxable bond with a five year term. The Formation Bond is in a principal amount of \$1,000,000 and will finance the costs associated with the complex transaction of acquiring a water system.

The Series B Bond, which is called the Acquisition Bond, will be issued later. The Series B Bond will be a thirty year tax exempt bond which will payoff and replace the Series A Bond and will finance the actual acquisition of the water system. The maximum amount authorized by Measure W for both the Series A and the Series B Bond is \$1,000,000. The amount of the Series B Bond will depend upon the actual acquisition price.

Measure W authorized a maximum tax for a 5/8" water meter of \$695.52. The estimated tax of a 5/8" meter for the \$1,000,000 Formation Bond is \$192.33. This amount will be collected on the 2005-06 Tax Bills.

### **Private Placement of Series A Bond**

The County's Financial Advisor has indicated that the cost of issuance associated with the Formation Bond would be considerably lower if the bond was privately placed. In order to lower the issuance costs associated with the Formation Bond we are recommending a private placement with the County Treasury as authorized by 53360.4 of the Government Code.

It should be noted that the Series A Bond is consistent with the County's Investment Policy in terms of both quality and term. With respect to the interest rate on the Formation Bond, the County's Financial Advisor has indicated that the interest rate on a taxable municipal security is most often measured as a spread to the current United States Treasury Rate for an equivalent term security because United States Treasury Securities are also taxable. In the case of the Felton Series A Bond she would recommend that the rate be set at the rate for a five year United States Treasury plus 1.15%.

### **Other Matters**

Now that Measure W has passed it is appropriate to begin negotiating participation agreements with the various governments that own property and receive service in the CFD. Participation agreements are necessary because government property is not subject to a special tax lien.

### **Conclusion and Recommendations**

In conclusion, the County's Bond Counsel and Financial Advisor will be available on Tuesday to answer any question you may have regarding the attached Resolutions and Ordinance. At this time it is RECOMMENDED that your Board take the following actions.

1. Adopt the Resolution of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Declaring the Results of a Special Election and Directing Recording of a Notice of Special Tax Lien;
2. Approve the Ordinance of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Levying Special Taxes Within Community Facilities District No. 1 (Felton) of the County of Santa Cruz in concept and direct that it be placed on the next agenda for final approval;
3. Adopt the Resolution of the Board of Supervisors of the County of Santa Cruz, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz Authorizing the Issuance of Its 2005 Special Tax Bonds (Series A) in a Principal Amount Not to Exceed One Million Dollars and Approving Certain Documents and Taking Certain other Actions in Connection Therewith; and

- 4. Authorize the County Administrative Office and Bond Counsel to begin negotiating participation agreements with the various governments in Community Facilities District No. 1 (Felton).

Very truly yours,



Susan A. Mauriello  
County Administrative Officer

Attachments

- cc: FLOW
- San Lorenzo Valley Water District
- Treasurer -Tax Collector
- Auditor-Controller
- County Counsel
- John Ricker
- Bill Marticorena
- Suzanne Harrell
- CalAM

**Attachment 1**

A Resolution of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Declaring the Results of a Special Election and Directing Recording of a Notice of Special Tax Lien

(On File with the Clerk of the Board of Supervisors)

**Attachment 2**

An Ordinance of the Board of Supervisors of the County of Santa Cruz, California, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Levying Special Taxes Within Community Facilities District No. 1 (Felton) of the County of Santa Cruz

(On File with the Clerk of the Board of Supervisors)

**Attachment 3**

A Resolution of the Board of Supervisors of the County of Santa Cruz, Acting as the Legislative Body of the Community Facilities District No. 1 (Felton) of the County of Santa Cruz Authorizing the Issuance of Its 2005 Special Tax Bonds (Series **A**) in a Principal Amount Not to Exceed One Million Dollars and Approving Certain Documents and Taking Certain other Actions in Connection Therewith

(On File with the Clerk of the Board of Supervisors)

**Attachment 4**

A Bond Purchase Agreement Between the County and the Treasurer-Tax Collector of the  
County of Santa Cruz

(On File with the Clerk of the Board of Supervisors)



**Attachment 5**

A Fiscal Agent Agreement by and between the Community Facilities District No. 1 of the County of Santa Cruz and the Bank of New York Trust Company, N.A.

(On File with the Clerk of the Board of Supervisors)

**Attachment 6**

Private Placement Memorandum

(On File with the Clerk of the Board of Supervisors)