



County of Santa Cruz

COUNTY ADMINISTRATIVE OFFICE

701 OCEAN STREET, SUITE 520, SANTA CRUZ, CA 950604073

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

June 21, 2000

AGENDA: June 27, 2000

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, California 95060

SUBSTITUTION OF LETTER OF CREDIT WITH BOND INSURANCE FOR THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY'S 1986 SERIES B REVENUE BONDS

Dear Members of the Board:

The California Health Facilities Financing Authority's (CHFFA) 1986 Series B Bonds, which provide the underlying financing for CHFFA's leases with the County, allow the existing Letter of Credit (LOC) provider, the RaboBank Nederland, to withdraw from the Series B Program in July 2000. RaboBank has exercised its option to withdraw and CHFFA is now in the process of providing a new or alternative credit enhancement facility.

Attached for your Board's approval are a resolution and lease amendments for the five existing County leases with the CHFFA. The lease amendments provide for substituting bond insurance for a Letter of Credit (LOC) provider and are in a form which is acceptable to the County's Bond Counsel. The County's remaining leases with CHFFA are listed below along with the remaining balances.

CHFFA Leases Remaining County Leases and Balances at June 1, 2000

Project	Location	Program	Amount
3	941 El Dorado, Santa Cruz	SART	\$836, 278
4	300 Harvey West, Santa Cruz	Volunteer Bureau - Mental Health Programs	393,270
7	Juvenile Hall, Graham Hill Road	Redwoods	395,986
10	321 E. Beach, Watsonville	Community Counsel Center - Dual Diagnosis Residential Treatment Program	268, 167
11	739 River Street, Santa Cruz	Homeless Persons Assistance Program	199,872
Total			<u><u>\$2,093,573</u></u>

SERVING THE COMMUNITY - WORKING FOR THE FUTURE

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Santa Cruz current represents approximately 19% of the outstanding bonds excluding the Reserve Fund. The majority of the outstanding bonds are represented by an \$18,000,000 Reserve Fund.

Transfer of Funds for Pre-Paid Bond Insurance

The substitution of bond insurance for the existing Letter of Credit requires that the County prepay its proportionate share of the first two years of bond insurance and a one time fee required to amend the Investment Agreement for the Series B Reserve Fund to accommodate the requirements of the bond insurer. We have been asked to pay the funds to the Trustee before the end of the fiscal year. This requires a transfer of funds in the amount \$61,807.37 for 1999-00. The attached transfer of funds from the County's General Fund Contingency to the Debt Service Budget provides the necessary appropriations.

Limitation on CHFFA Fees Allocated to County

The CHFFA program has a long and troubled history of uncontrolled costs and we are recommending, as we did with the April 1994 letter of credit substitution, that the County cap its participation in the Authority's bond counsel and program consultant costs for the current substitution at \$15,000.


Conclusion and Recommendation

In conclusion, the CHFFA Lease Amendments and the financial structure of the proposed substitution have been reviewed by the County's Bond Counsel and Financial Advisor. The Lease Amendments are acceptable to Bond Counsel and our Financial Advisor has indicated that there is no good financial alternative to the substitution proposed by CHFFA available at this time.

At this time it is RECOMMENDED that your Board take the following actions:

1. Adopt a Resolution approving an Alternative Credit Facility for California Health Facilities Financing Authority (CHFFA) 1986 Series B Revenue Bonds Lease Numbers 3, 4, 7, 10 **and** 11 and authorizing and directing the **execution** of Supplemental Lease Agreement for CHFFA Lease Numbers 3, 4, 7, 10 and 11 and establishing the County's maximum responsibility at \$15,000 with respect to CHFFA's expenses for Bond Counsel and Consultants in relation to the substitution of the credit facility; and
2. approve a transfer funds in the amount of \$61,807.37 from the General Fund Contingency to the Debt Service Budget to finance Santa Cruz County's proportionate share of two years of pre-paid bond insurance costs and a one time fee associated with amending 'the' Investment Agreement for Series B Reserve Fund as recommended by the County Administrative Officer.

Very truly yours,



Susan A. Mauriello
County Administrative Officer

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**BOARD OF SUPERVISORS
CHFFA - LETTER OF CREDIT SUBSTITUTION**

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Attachments ·

cc: HSA
Auditor-Controller
County Counsel
Bill Marticorena
Suzanne Harrell

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Attachment A

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SANTA CRUZ APPROVING SUBSTITUTION OF AN
ALTERNATE CREDIT FACILITY FOR THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY REVENUE BONDS
(COUNTY PROGRAM), 1986 SERIES B

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**BEFORE THE BOARD OF SUPERVISORS
OF THE SANTA CRUZ COUNTY**

RESOLUTION NO. ____

On the Motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SANTA CRUZ APPROVING SUBSTITUTION
OF AN ALTERNATE CREDIT FACILITY FOR THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS (COUNTY PROGRAM), 1986 SERIES B**

WHEREAS, the California Health Facilities Financing Authority (the "Authority") issued the California Health Facilities Financing Authority Revenue Bonds (County participating health institutions in the financing, refinancing and reimbursing of the costs of equipment and capital improvements constituting a project (as defined in the California Health Facilities Financing Authority Act);

WHEREAS, the Bonds were issued pursuant to an indenture of trust, dated as of August 1, 1986 (as heretofore amended and supplemented, the "Indenture"), between the Authority and Security Pacific National Bank, predecessor trustee to Bank of America National Trust and Savings Association, predecessor trustee to Bankers Trust Company of California, N.A., as trustee (the "Trustee") ;

WHEREAS, in order to provide credit support and liquidity for the Bonds, the authority entered into a Letter of Credit and Reimbursement Agreement, dated as of April 1, 1994 (the "Existing Reimbursement Agreement"), with Cooperative Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank Nederland," New York Branch (the "Existing Credit Provider"):

WHEREAS, pursuant to the Existing Reimbursement Agreement, the Existing Credit Provider provided a Letter of Credit, dated April 29, 1994 (the "Existing Credit Facility");

WHEREAS, a commitment has been secured from MBIA Insurance Corporation, a stock insurance company organized under the laws of the State of New York (the "Alternate Credit Provider"), to provide a financial guaranty policy (the "Alternate Credit" Facility), to

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be issued by the Alternate Credit Provider and delivered to the Trustee, in order to replace the Existing Credit Facility;

WHEREAS, in connection with -providing financial assistance to participating health institutions, the Authority has entered into the lease agreements identified on Exhibit A hereto (as amended and supplemented to the date hereof, hereinafter collectively referred to as the "Lease Agreements"), with the County of Santa Cruz (the "County");

WHEREAS, in order to accommodate the Alternate Credit Facility, it is necessary to amend the Lease Agreements;

WHEREAS, the Board of Supervisors of the County deems it desirable to enter into the supplemental lease agreements, dated as of July 1, 2000 identified on Exhibit B hereto (hereinafter collectively referred to as the "Supplemental Agreements"), between the Authority and the County, in order to modify and amend the Lease Agreements;

BEITRESOLVED by the Board of Supervisors of the County of Santa Cruz (the "Board of Supervisors") as follows:

Section 1. The Board of Supervisors deems its desirable to approve the issuance and delivery of the Alternate Credit Facility, to amend the Lease Agreements as set forth in the Supplemental Agreements as presented to this meeting, and to authorize all other actions necessary in connection therewith.

Section 2. The issuance and delivery of the Alternate Credit Facility by the Alternate Credit Provider is hereby approved.

Section 3. The proposed forms of Supplemental Agreements, each between the Authority and the County, as lessee, as presented to this meeting, are hereby approved. The Chairperson of the Board of Supervisors of the County or the County Administrative Officer or the Assistant County Administrative Officer or the Deputy County Administrative Officer of the County is hereby authorized and directed, for and on behalf of the County, to execute and deliver to the Authority the Supplemental Agreements in substantially said form with such changes therein as such officer, with the advice of counsel to the County, shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Clerk of the Board of Supervisors or the Deputy Clerk of the Board of Supervisors or the Assistant Clerk of the Board of Supervisors of the County is hereby authorized and

directed, for and on behalf of the County, to witness or attest the signature of the officer executing the Supplemental Agreements and to affix and attest the seal of the County as may be required in connection with the execution and delivery of the Supplemental Agreements.

Section 5. The proper officers, agents and employees of the County are hereby authorized and directed, for and in the name and on behalf of the County, to take any and all actions and execute, acknowledge and deliver any and all agreements, instruments or other documents, and revisions and corrections thereof and amendments thereto, as may in their discretion be deemed necessary or desirable to carry out and comply with the terms, provisions and intent of this Resolution and the Supplemental Agreements and any other agreements, instruments or documents entered into in connection with any of the foregoing.

Section 6. Notwithstanding anything contained in the Supplemental Agreements, the Lessee shall not be responsible for or be obligated to pay fees and expenses for the Authority's bond counsel or program consultant in relation to this substitution of credit facilities in excess of Fifteen Thousand Dollars (\$15,000.00).

Resolution adopted and approved this 27th day of June, 2000.

Chairperson of the Board of Supervisors

ATTEST :

By: _____
Clerk of said Board

APPROVED AS TO FORM :

Counsel to County

EXHIBIT A
LISTING OF LEASE AGREEMENTS

1. Lease Agreement (Project 3), dated August 31, 1987, as heretofore amended, between the Authority and the County of Santa Cruz
2. Lease Agreement (Project 4), dated July 31, 1987, as heretofore amended, between the Authority and the County of Santa Cruz
3. Lease Agreement (Project 7), dated July 13, 1989, as heretofore amended, between the Authority and the County of Santa Cruz
4. Lease Agreement (Project 10), dated March 31, 1988, as heretofore amended, between the Authority and the County of Santa Cruz
5. Lease Agreement (Project 11), dated July 13, 1989, as heretofore amended, between the Authority and the County of Santa Cruz

EXHIBIT B
LISTING OF SUPPLEMENTAL AGREEMENTS

1. Second Supplemental Lease Agreement (Project 3), dated as of July 1, 2000, between the Authority and the County of Santa Cruz.
2. Second Supplemental Lease Agreement (Project 4), dated as of July 1, 2000, between the Authority and the County of Santa Cruz.
3. Second Supplemental Lease Agreement (Project 7), dated as of July 1, 2000, between the Authority and the County of Santa Cruz.
4. Second Supplemental Lease Agreement (Project 10), dated as of July 1, 2000, between the Authority and the County of Santa Cruz.
5. Second Supplemental Lease Agreement (Project 11), dated as of July 1, 2000, between the Authority and the County of Santa Cruz.

Attachment B
Transfer of Funds

COUNTY OF SANTA CRUZ
 REQUEST FOR TRANSFER OR REVISION
 OF BUDGET APPROPRIATIONS AND/OR FUNDS

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Department: CAO

Date: 6.21.00

TO: Board of Supervisors / County Administrative Officer / District Board

I heret y request your approval of the following transfer of budget appropriations and/or funds in the fiscal year ending June 30), 192000

AUDITORS USE ONLY			
DOCUMENT #	AMOUNT	L/N	T/C HASH
JE 5	1,236,147.40	0,2	,43

BATCH #	
DATE	Keyed By:

T/C	INDEX	SUBJECT	USER CODE	AMOUNT	ACCOUNT DESCRIPTION *
0,2,1	1,3,1,2,3,5	4,8,8,0		6,180,7,37	CHFFA Leases
				:	
				:	
				:	
				:	
0,2,2	1,3,1,3,7,5	9,6,9,5		6,180,7,37	Contingency
				:	
				:	
				:	
				:	

Explanation: To FUND PRE PAID BOND INCS. & AMOUNTMENT
Fee for CHFFA Leases.
 Name: Pat Buser Title: Asst CAO

Auditor-Controller's Action: I hereby certify that unencumbered balance(s) is/are available in the appropriations/funds and in the amounts indicated above.
 Auditor-Controller, by Ronald J. Aiken Deputy Date 6/22/00

County Administrative Officer's Action: Recommend to Board Approved Not Recommended or Approved
 County Administrative Officer [Signature] Date 6.22.00

State of California } As the Clerk of the Board of Supervisors of the County of Santa Cruz, I do hereby certify that the foregoing request for
 ss. transfer was approved by said Board of Supervisors as recommended by the County Administrative Officer by an order
 County of Santa Cruz } duly entered in the minutes of said Board on _____, 19____, By _____, Deputy Clerk

(A-C)* Desc: _____ # _____ - Budget Transfer

Distribution: BRD. NAME AGENDA DATE ITEM NO.
 White-Board of Supervisors Gram-County Administrative Officer Goldenrod-Departmental Control Copy
 Yellow-Auditor-Controller Pink-Originating Department

A-C Review		

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