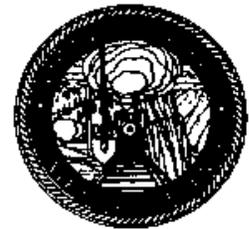


Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector



To: The Honorable Board of Supervisors

From: Jenine Windeshausen, Treasurer-Tax Collector 

Date: October 23, 2007

Subject: Issuance of Certificates of Participation for
the 2007 South Placer Justice Center Courthouse Financing Project

Action Requested:

1. Pass a resolution authorizing and directing the preparation and execution of certain lease financing documents; authorizing the preparation and distribution of a Preliminary Official Statement in connection with the offering and sale of certificates of participation; authorizing and directing certain other actions with respect to the issuance of certificates of participation for the purchase of the Placer County - Bill Santucci Justice Center's Courthouse and underlying property; and specifying an issue amount not to exceed \$39 million and certain other constraints for the issue.
2. Authorize the County Executive Officer to execute a contract with Capitol Public Finance Group, LLC for financial advisory services related to the issuance of certificates of participation for the 2007 South Placer Justice Center Courthouse Financing Project, in an amount not to exceed \$65,000.
3. Authorize the County Executive Officer to execute a contract with Quint & Thimmig, LLP for bond counsel services related to the issuance of certificates of participation for the 2007 South Placer Justice Center Courthouse Financing Project, in an amount not to exceed \$75,000.
4. Authorize the County Executive Officer to execute a contract with Sidley Austin, LLP for disclosure counsel services related to the issuance of certificates of participation for the 2007 South Placer Justice Center Courthouse Financing Project, in an amount not to exceed \$40,000.

Background:

The County has entered into an agreement with the State of California's Administrative Office of the Courts and the Superior Court of Placer County for the provision of court facilities within the County pursuant to the Trial Court Facilities Act. To fulfill this agreement, the County later purchased the Placer County - Bill Santucci Justice Center property, excluding the land underlying the JB Office Building and the Courthouse, with capital facility impact fees. Based on the agreement with the courts, your Board entered into a subsequent agreement with JB Management, L.P. to provide for the construction of a courthouse on the property within / adjacent to the Placer County - Bill Santucci Justice Center. Courthouse construction is expected to be complete and the property available for purchase, subject to the JB Management, L.P. agreement, in early 2008. The County has anticipated and planned for the purchase of this courthouse and underlying property in its Capital Facilities Financing Plan.

The total cost of the Courthouse property is currently estimated at \$54 million. The Financing Plan calls for approximately \$34 million of the Courthouse acquisition costs to be paid for with proceeds from the issuance of certificates of participation (COPs). The balance of funding needed to acquire

the property is available from prior Master Settlement Agreement securitization revenues and project funding that was set-aside for this project in previous fiscal years.

In order to issue the COPs, your Board must take certain actions associated with the issuance. The COP structure requires a third-party entity to issue the COPs, to own the constructed facilities and then to lease-back the facilities to the County. As such, the Board must take actions related to the lease provisions and issuance of the COPs.

Specifically, the Board is requested to approve:

- the not to exceed amount of \$39 million for the COPs,
- the not to exceed amount of \$2.95 million for the annual lease payment,
- the not to exceed term of the lease of 21 years.

The Board must approve, in substantial form:

- the Site and Facilities Lease between the County, as lessor and the Authority as lessee,
- the Lease Agreement between the Authority, as lessor, and the County as lessee,
- the Trust Agreement between the Authority, the County and the Bank of New York Trust Company, N.A. as trustee, and
- the Draft Preliminary Official Statement.

Next, the Board must take action associated with the marketing and sale of the COPs through the County's financial advisor, Capitol Public Finance Group, LLC. The Board must approve:

- the Notice of Sale of the COPs,
- the distribution of the Preliminary Official Statement, and
- the preparation, execution and distribution of the Final Official Statement, which is derived from the Preliminary Official Statement.

Section 7 of the Resolution authorizes and directs the solicitation of bids for bond insurance and for a reserve fund surety bond in lieu of funding a cash reserve. The Board must authorize:

- the Treasurer-Tax Collector to determine and accept a proposal for a reserve fund surety bond in lieu of a cash funded reserve if it is more financially advantageous to the County to do so,
- the Treasurer-Tax Collector to revise the COP documents to reflect such determination and acceptance,
- the Chair of the Board, the County Executive Officer, the Treasurer-Tax Collector, the Clerk of the Board, their designees and all other appropriate officials of the County to take any and all necessary action in compliance with the resolution for the issuance of the COPs.

The Board is further asked to authorize the County Executive Officer to execute the contracts with the County's bond consultants. To properly facilitate the issuance of the COPs, various professional consultants are required. These consultants include bond and disclosure counsels and a financial advisor. Proposals from the selected consultants and others were reviewed and negotiated. Additionally, the underwriter will be selected based on a competitive bid process conducted through the municipal finance market. The fees of all consultants are a cost of issuance payable out of bond proceeds.

For your reference, a flow of funds chart for COP structured financing is attached.

Environmental:

This action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

Fiscal Impact:

On April 20, 2004 your Board authorized the execution of a lease purchase agreement between the County and JB Management, L.P. for the Courthouse in South Placer. Per the terms of the agreement, the County has the option to purchase the building by paying the actual costs of its construction to the developer (currently estimated at \$54 million). The Board directed on August 7, 2007, pursuant to The Finance Committee's recommendation, staff to proceed with the preliminary work to issue a COP to offset the majority of the costs for the Courthouse purchase (approximately \$34 million).

The issuance of and associated debt service on COPs for the purchase of the Placer County - Bill Santucci Justice Center's Courthouse and underlying property has been planned as part of the Capital Facilities Financing Plan. The final amount issued and annual debt service amount will be dependant on the interest rate obtained at the sale of the COPs. The amount to be issued is expected to be approximately \$37.6 million. The annual debt service for the COPs is expected to be approximately \$2.8 million. However, should the County be successful in obtaining a reserve fund surety bond in lieu of a cash funded reserve it is anticipated that the amount issued would decrease to \$34.8 million and annual debt service to approximately \$2.6 million.

The debt service will be a liability of the County's General Fund. Through the 2004 agreement between the Superior Court of Placer County, and the Administration Office of the Courts, and the County, the parties agreed to the County's use of the non-encumbered Courthouse Construction Funds as one of the funding mechanisms for the Courthouse debt service payment (currently estimated at \$500,000 per year). These funds will offset the annual debt service obligation that will be assumed by the County's General Fund as a result of this issue.

Recommendation:

It is recommended that your Board pass the attached resolution and authorize the execution of contracts with Quint and Thimmig, LLP as bond counsel, Sidley Austin, LLP as disclosure counsel and Capitol Public Finance LLC, as financial advisor to facilitate the issuance of COPs for the purchase of the Placer County Bill Santucci Justice Center Courthouse and underlying property

Attachments: Certificates of Participation Structure
Resolution
Site and Facility Lease (in substantial form)
Lease Agreement (in substantial form)
Trust Agreement (in substantial form)
Official Notice of Sale (in substantial form)
Draft Preliminary Official Statement
Contract for Bond Counsel, Quint and Thimmig, LLP
Contract for Disclosure Counsel, Sidley Austin, LLP
Contract for Financial Advisor, Capitol Public Finance Group, LLC