

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # B-4

Urgent

Routine

AGENDA DATE January 16, 2007

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval of the Resolution Authorizing the Issuance of Stanislaus County Refunding Certificates of Participation, Series A of 2007; and Related Agreements for Execution of the Refunding and Professional Services

STAFF RECOMMENDATIONS:

1. Approval of the Resolution Authorizing the Issuance of Stanislaus County Refunding Certificates of Participation, Series A of 2007; and related agreements for execution of the Refunding.
2. Authorize the Chief Executive Officer to negotiate and execute all necessary agreements for professional services including, but not limited to, Financial Advisor, Bond Counsel, Disclosure Counsel, Trustee, Verification Agent, Escrow Agent, Title Insurer and Rating Agency.

(Continued on Page 2)

FISCAL IMPACT:

Staff is recommending approval of a resolution authorizing the issuance of approximately \$42.7 million in Certificates of Participation (COPs) to refund the County's existing Series A of 1996 and 1997 Series A Certificates of Participation (collectively, the "2007 Refunding COPs") and to defease and pay-off one year early, the County's 1995 COPs.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2007-35

On motion of Supervisor Mayfield, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: Mayfield, Grover, Monteith, DeMartini, and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS: (Continued)

3. Approve the forms of the Site leases, Lease agreement, Trust agreements, Escrow agreements, Assignment agreement, Continuing Disclosure agreement, Notice of Sale, Termination agreements, and Purchase agreement with respect to the execution and delivery of County of Stanislaus Refunding Certificates of Participation Series A of 2007; authorize the execution and delivery of such Series A certificates evidencing principal in an aggregate amount of not to exceed \$50,000,000; and authorize the execution of necessary documents and certificates and related actions in connection therewith; and
4. Approve the form of the Preliminary Official Statement and authorize the Chief Executive Officer and/or approved Designated Officers of the County to make whatever changes are necessary to deem it final for distribution to prospective purchasers of the certificates and to further authorize delivery of a final official statement to actual purchasers of the Certificates.

FISCAL IMPACT: (Continued)

The proposed refunding transaction is intended for the primary purpose of economic benefit. Interest rates are relatively low and have provided the opportunity to achieve annual budgetary savings. The refunding transaction is projected to save approximately \$190,000-\$230,000 per year. Budgetary savings begin in fiscal year 2007-2008 and extend through fiscal year 2017-2018. Current market conditions produce approximately \$2,250,000 of total nominal savings, or about \$1,740,000 of present value savings after all costs of issuance. This translates into about 3.80% present value savings, measured against the total par amount of the COPs being refunded. The exact amount of savings will depend upon market conditions on the day of sale. The resolution includes a minimum savings target of 2.80%.

The proposed refunding will simplify the County's overall debt program by consolidating transactions and allowing for the release of key assets. The proposed refunding plan does not extend the term of the series being refunded.

The total costs of issuance is currently estimated to be approximately \$300,000 for the professional services of Bond Counsel, Disclosure Counsel, Financial Advisor, Rating Agency, Trustee, Escrow Agent, Verification Agent, and Title Insurer. Underwriter's discount and the cost of bond insurance are not included in the cost of issuance estimate. Most of the costs of issuance are contingent upon the successful closing of the bonds and will be paid for from bond proceeds. Moreover, all above referenced savings numbers are net of and fully account for all costs of issuance.

DISCUSSION:

Purpose of the Refunding and Release of Assets: The 2007 Refunding will save the County approximately \$190,000 - \$230,000 per year in annual base debt payments and release several assets to the County. There are several assets currently securing the 1995 COPs,

DISCUSSION: (Continued)

1996A COPs and 1997A COPs that will be released to the County once the escrow accounts are established. The Minimum Security Housing Unit, the Sheriff's Operational Center, 10 acres of land at the Probation Administration facility, the Public Safety Center Main Jail, the Agricultural Center and the Ray Simon Criminal Justice Training Center will no longer secure outstanding Certificates of Participation.

The 1995 COPs (\$13,755,000) were originally issued to advance refund a portion of the \$70.0 million Series 1989 COPs. The 1989 COPs were used to acquire and construct public safety facilities and social service facilities. The 1996 COPs (\$55,920,000) were originally issued to refund a part of Series 1989 COPs. The 1997 COPs (\$12,035,000) were issued to construct the Agricultural Center and the Ray Simon Criminal Justice Training Center.

Interest Rate Mode and Structure of the Financing: The financing will be structured in the form of fixed rate Certificates. Interest on the COPs will be exempt from Federal and State of California income taxes. Pods A, B and C of the Community Services Facility are the only assets that will be pledged for the 2007 Refunding. The Community Services Facility was built in late 1994 and has a remaining economic life of 40 years. Pods A, B and C were appraised at a market value of \$45.0 million by an independent MAI appraiser on December 15, 2006.

Size: The total par amount of the financing is estimated at approximately \$42.7 million, consisting of one Series of COPs. The amount of Certificates issued will include the costs associated with this transaction. The single series will generate enough funds, after costs of issuance, to fully fund the escrows required for a legal defeasance of the 1996A COPs and the 1997A COPs. The General Fund will be committed to make all principal and interest payments under the COPs. Those funds are currently budgeted in the County Debt Service budget.

Maturity: The final maturity on the COP is expected to be eleven years, matching the final maturity of the existing 1996A COPs.

Financing Plan: The COPs will be structured with no debt service due from the County during the current 2006-2007 fiscal year. However, the County will pay into the refunding the debt service amounts previously budgeted in the 2006-2007 fiscal year for the 1995, 1996A and 1997A COPs. The first interest payment will be November 1, 2007, with principal payments annually beginning on May 1, 2008. This structure matches the existing debt service schedule of the 1996A COPs and 1997A COPs. The COPs will be structured with a final maturity of May 1, 2018.

Under this financing plan, the 1995, 1996A and 1997A COPs will be fully defeased, terminating all County obligations with regard to the original COPs and allowing for the release of the leased assets. Under the proposed refunding plan, funds already budgeted for the May 1, 2007 payment will be deposited in escrow, along with the liquidated reserve funds. These monies will be sufficient to defease the 1995, 1996A and 1997A COPs.

DISCUSSION: (Continued)

A summary of the estimated financing terms is summarized in the table below.

**Stanislaus County 2007 Refunding
Estimated Market Conditions as of early January 2007**

Combined Refunding 1996A and 1997A	
Dated Date	2/15/2007
Final Maturity	5/1/2018
True Interest Cost ¹	3.81%
Refunding Par Amount	\$42,685,000
Refunded Par Amount	\$45,905,000
Call Status ²	96A: Current (5/1/07 @ 101.0) 97A: Current (5/1/07 @ 101.0)
Sources of Funds	
Refunding Par Amount	\$42,685,000
Prior Reserve Fund Sources	5,344,414
Interest Accrued in Reserve Funds ³	145,638
County Contribution	4,001,393
Total Sources:	\$52,176,445
Uses of Funds	
Deposit to Escrow Funds	\$47,065,941
Reserve Fund Deposit	4,268,500
Cost of Issuance ⁴	578,066
Bond Insurance	263,938
Total Uses:	\$52,176,445

¹ Market rates for insured California COP issue as of January 5, 2007.

² The existing 96A and 97A bonds are callable on any interest payment date. The first call date for the 1996A issue was 5/1/06 @ 102. The 1997A issue is first callable on a current basis on 5/1/07 @ 101.

³ Includes interest accrued to February 9, 2007 from the 1995, 1996A and 1997A COP Reserve Fund accounts.

⁴ Includes underwriters' discount, assumed at \$6.50 per \$1,000 bond.

Method of Sale: The County is proposing proceeding with a competitive method of sale, where underwriters are invited to submit interest rate bids during a set time on a pre-determined date. The underwriter that submits the lowest true interest cost bid wins the right to purchase the bonds from the County, assuming the minimum savings target is achieved. In the event that interest rates move adversely between this Board meeting date and the proposed date of competitive pricing, staff may, based on the recommendations of the County's Financial Advisor, elect to sell the 2007 Refunding COPs by way of a negotiated sale process to ensure that the minimum savings threshold is met.

DISCUSSION: (Continued)

Ratings and Credit Enhancement: The County will be pursuing a rating on the COPs from Standard & Poor's. The COPs will also most likely carry 'AAA' ratings, resulting from the purchase of bond insurance from a major municipal bond insurer. The bond insurance premium will be calculated in terms of a percentage of the total debt service. The bond insurer will be selected through a competitive bid process, whereby the insurer who submits the lowest basis point bid will be awarded the right to insure the 2007 Refunding COPs.

Staff is requesting authorization for the Chief Executive Officer to negotiate and execute agreements for professional services related to this refunding. An informal solicitation of bids was conducted by the County Financial Advisor, for Bond Counsel, Disclosure Counsel, Trustee and Escrow Agent services and on average two to three proposals were received and County Staff made the final selections.

On November 6, 2006, the Debt Advisory Committee approved staff to proceed in completing the necessary work for your Board of Supervisor's approval of the Refunding.

POLICY ISSUES:

Authorization for staff to proceed with the financing plan for the 2007 Refunding COPs is consistent with the Board of Supervisors priority of efficient delivery of public services.

STAFFING IMPACTS:

Debt Advisory Committee members include the Auditor-Controller, Treasurer, the County Counsel's Office, Public Works Director, Planning Director and Chief Executive Officer. Existing staff will continue to work on the 2007 Refunding, no additional staffing impact is anticipated.

ATTACHMENTS AVAILABLE
FROM YOUR CLERK

RESOLUTION NO. 2007-35

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS AUTHORIZING THE PREPARATION, SALE AND DELIVERY OF NOT TO EXCEED \$50,000,000 PRINCIPAL AMOUNT OF REFUNDING CERTIFICATES OF PARTICIPATION SERIES A OF 2007 AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Stanislaus County Capital Improvements Financing Authority is a joint powers authority organized and existing under the laws of the State of California (the "Authority") with the authority to assist in the financing of capital facilities on behalf of the County of Stanislaus, a body corporate and politic of the State of California (the "County"); and

WHEREAS, the Authority has assisted the County in financing various capital facilities through the execution and delivery of the \$55,920,000 Refunding Certificates of Participation (Capital Improvement Program) Series A of 1996 (the "1996 Certificates") and \$12,035,000 Certificates of Participation 1997 Series A (Capital Improvement Projects) (the "1997 Certificates"); and

WHEREAS, the County now desires to refund the \$37,560,000 of the 1996 Certificates that remain outstanding and the \$8,345,000 of the 1997 Certificates that remain outstanding (such outstanding portion is referred to herein as the "Prior Certificates") through the execution and delivery of the Certificates (as defined below) and the entering into by the County of an Escrow Agreement for the 1996 Certificates to be refunded (the "1996 Escrow Agreement") and an Escrow Agreement for the 1997 Certificates to be refunded (the "1997 Escrow Agreement"), each to be dated as of the first day of the month in which the Certificates are executed and delivered, by and between the County and U.S. Bank National Association (the "Escrow Agent"), the form of which has been presented to this Board of Supervisors at the meeting as which this Resolution has been adopted; and

WHEREAS, the County also desires to defease the \$2,675,000 remaining outstanding portion of the \$13,755,000 Refunding Certificates of Participation (Capital Improvement Program) Series 1995 (the "1995 Certificates") through a deposit of cash with U.S. Bank National Association, as prior trustee and escrow agent, pursuant to the terms of an Escrow Agreement for the 1995 Certificates (the "1995 Escrow Agreement" and, together with the 1996 Escrow Agreement and the 1997 Escrow Agreement, the "Escrow Agreements"); and

WHEREAS, in order to accomplish the refunding of the Prior Certificates, the County and the Authority further desire to enter into that certain Site Lease, by and between the County and the Authority (the "Site Lease"), and that certain Lease Agreement, by and between the County and the Authority (the "Lease Agreement") each to be dated as of the first day of the month in which the Certificates are executed and delivered, the forms of which have been presented to this Board of Supervisors at the meeting at which this Resolution has been adopted, pursuant to which Site Lease the Authority will agree to lease certain real property and improvements from the County and pursuant to which Lease Agreement the County will agree to lease back such real property and improvements from the Authority and to pay certain lease payment in connection therewith which will be pledged by the Authority as security for the repayment of the Refunding Certificates of

Participation Series A of 2007 (the "Certificates") to be executed and delivered pursuant to a Trust Agreement, to be dated as of the first day of the month in which the Purchase Contract is executed, by and among The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the County and the Authority (the "Trust Agreement"), the form of which has been presented to this Board of Supervisors at the meeting at which this Resolution has been adopted; and

WHEREAS, the Authority and the County have determined that it would be in the best interests of the Authority, the County and the residents of the County to authorize the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$50,000,000, which Certificates evidence proportionate interests in certain rights under the Lease Agreement, including the right to receive certain lease payments to be made by the County thereunder; and

WHEREAS, the Board of Supervisors desires to consent to the assignment of certain of the Authority's rights, title and interest in and to the Site Lease and the Lease Agreement, including the right to receive such lease payments from the County, to the Trustee pursuant to an Assignment Agreement, between the Authority and the Trustee, to be dated as of the first day of the month in which the Certificates are executed and delivered (the "Assignment Agreement"), the form of which has been presented to this Board of Supervisors at the meeting at which this Resolution has been adopted; and

WHEREAS, the Board of Supervisors desires to approve the sale of the Certificates either on a competitive basis pursuant to a notice of sale (the "Official Notice of Sale") or on a negotiated basis pursuant to the terms of a Purchase Contract (the "Purchase Contract"), by and between the County and the entity which offers to purchase the Certificates (the "Purchaser"), pursuant to which the Purchaser will agree to buy the Certificates on the terms and conditions set forth therein, the forms of which Official Notice of Sale and Purchase Contract have been presented to this Board of Supervisors at the meeting at which this Resolution has been adopted; and

WHEREAS, the Board of Supervisors desires to approve the form of a Preliminary Official Statement relating to the Certificates (the "Preliminary Official Statement") to be distributed to potential investors, for the purposes of facilitating the sale of the Certificates at the lowest feasible interest rate, the form of which has been presented to this Board of Supervisors at the meeting at which this Resolution has been adopted; and

WHEREAS, the Board of Supervisors desires to approve the form of a Continuing Disclosure Agreement (the "Disclosure Agreement") between the County and the Trustee, the form of which has been presented to this Board of Supervisors at the meeting at which the Resolution has been adopted;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Stanislaus that:

Section 1. Each of the foregoing recitals is true and correct.

Section 2. This Board of Supervisors hereby consents to the preparation, sale and delivery of the Certificates in an aggregate amount of not to exceed \$50,000,000 in accordance with the terms and provisions of the Trust Agreement, with the exact principal amount to be that determined necessary by the Chief Executive Officer, or his written designee, to refund and defease the Prior Certificates. The purposes for which the proceeds of the Certificates shall be expended are

to refund and defease the Prior Certificates and to provide for a reserve fund, if any, and the costs of the preparation, sale and delivery of the Certificates. If determined by the County's Debt Advisory Committee to be beneficial to the County, the Certificates may be executed and delivered in one or more series with the appropriate modifications being made to the documents approved in sections 5, 6, 7 and 9 below to effect such a financing plan. The Chief Executive Officer, or his written designee, is hereby authorized to determine whether the Certificates will be sold pursuant to the Purchase Contract as set forth in Section 6 or pursuant to the Official Notice of Sale as set forth in Section 7.

Section 3. The Bank of New York Trust Company, N.A. is hereby appointed as Trustee on behalf of the owners of the Certificates, with the duties and powers of such Trustee as set forth in the Trust Agreement.

Section 4. U.S. Bank National Association is hereby appointed as Escrow Agent with the duties and powers of the Escrow Agent as set forth in each of the Escrow Agreements.

Section 5. The forms of the Escrow Agreements, the Site Lease, the Lease Agreement, the Trust Agreement, the Disclosure Agreement and the Assignment Agreement presented at this meeting are hereby approved. Each of the Chairman of the Board of Supervisors and the Chief Executive Officer, and their written designees (the "Authorized Officers"), is hereby authorized for and in the name of the County to execute the Escrow Agreements, the Site Lease, the Lease Agreement, the Disclosure Agreement and the Trust Agreement in substantially the forms hereby approved, with such additions thereto and changes therein as are recommended or approved by Stradling, Yocca, Carlson & Rauth, as Special Counsel to the County ("Special Counsel"), Hawkins, Delafield & Wood, Disclosure Counsel to the County ("Disclosure Counsel"), or County Counsel and the officer or officers executing the same, including all changes necessary to reflect the purchase of bond insurance as described in Section 6 and Section 7 below. With respect to the 1995 Escrow Agreement, each of the Authorized Officers and the Treasurer-Tax Collector is authorized to transfer to U.S. Bank National Association cash in the amount required to effect a defeasance of the 1995 Certificates. The real property and improvements to be made subject to the Site Lease and Lease Agreement (the "Site") shall be the real property and improvements that currently are the subject of the lease agreements executed with respect to the Prior Certificates and the 1995 Certificates, or such portion thereof which the Chief Executive Officer, or in his absence the County's Debt Advisory Committee, determines should be leased in order to accomplish the refunding of the Prior Certificates and the highest rating for the Certificates. Approval of such changes and the designation of the Site shall be conclusively evidenced by the execution and delivery of the foregoing documents by one or more of the Authorized Officers. Each of the Authorized Officers is hereby authorized to execute, acknowledge and deliver any and all documents required to consummate the transactions contemplated by the Escrow Agreements, the Site Lease, the Lease Agreement, the Disclosure Agreement, the Trust Agreement and the Assignment Agreement.

Section 6. The form of the Purchase Contract presented at this meeting and the sale of the Certificates pursuant thereto are hereby approved. In the event that the Chief Executive Officer, or his written designee, determines to sell the Certificates pursuant to the Purchase Contract, each of the Authorized Officers is hereby authorized to evidence the County's acceptance of the terms and provisions of the Purchase Contract by executing and delivering the Purchase Contract in the form presented to the County at this meeting, with such additions thereto and changes therein as are recommended or approved by Special Counsel, Disclosure Counsel or County Counsel and the officers executing the same. Approval of such additions and changes shall be conclusively evidenced

by the execution and delivery of the Purchase Contract; provided, however, that the Purchase Contract shall be signed only if the aggregate principal amount of the Certificates does not exceed \$50,000,000, a minimum present value savings of 2.80% of the debt service payments due with respect to the Prior Certificates is achieved (as calculated by the County's Financial Advisor or the Purchaser) and the Purchaser's discount (exclusive of original issue discount and any bond insurance premium) with respect to the Certificates does not exceed 2.0% of the aggregate principal amount of Certificates. The members of the County's Debt Advisory Committee are authorized to determine the pricing parameters for the Certificates, which determination shall be conclusively evidenced by the execution and delivery of the Purchase Contract by one of the Authorized Officers. The Chief Executive Officer, or his designee, is authorized to reject any terms presented by the Purchaser if determined not to be in the best interest of the County and is further authorized to evaluate whether the purchase of municipal bond insurance for the Certificates will result in a net savings to the County and if so to purchase such municipal bond insurance.

Section 7. The form of the Official Notice of Sale relating to the Certificates presented at this meeting is approved. In the event that the Chief Executive Officer, or his written designee, determines to sell the Certificates pursuant to the Official Notice of Sale, the County's Financial Advisor is authorized to solicit bids for the sale of the Certificates by publishing once in *The Bond Buyer*, not less than 5 days prior to receipt of bids, a short form of the Official Notice of Sale and to distribute or make available to prospective purchasers of the Certificates the Official Notice of Sale substantially in the form presented at this meeting, together with such changes thereto as the Authorized Officers approve. The Authorized Officers are authorized, on behalf of the County, to accept the bid of the lowest responsible bidder for the Certificates provided that (a) the principal amount of the Certificates does not exceed \$50,000,000, and (b) a minimum present value savings of 2.80% of the debt service payments due with respect to the Prior Certificates is achieved (as calculated by the County's Financial Advisor). The sale may be conducted through electronic means if the County determines that such process will assist the County in obtaining the lowest interest cost. The Chief Executive Officer, or his designee, is authorized to evaluate whether the purchase of municipal bond insurance for the Certificates will result in a net savings to the County and, if so, to purchase such municipal bond insurance in connection with a sale of the Certificates pursuant to the Official Notice of Sale.

Section 8. The form of the Certificates as set forth in the Trust Agreement (as the Trust Agreement may be modified pursuant to Section 5 hereof) is hereby approved.

Section 9. The form of the Preliminary Official Statement presented at this meeting is hereby approved, and the Preliminary Official Statement may be distributed to prospective purchasers in the form so approved, together with such additions thereto and changes therein as are determined necessary by the Chief Executive Officer, or his designee, to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission. Each of the Chairman of the Board of Supervisors and the Chief Executive Officer is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the Chief Executive Officer, or his designee, to make such Official Statement complete and accurate as of its date. The Purchaser, if the Certificates are sold to the Purchaser, and each of the Authorized Officers if the Certificates are sold pursuant to the Official Notice of Sale, are further authorized to distribute the final Official Statement for the Certificates to the purchasers thereof upon its execution by an officer of the County as described above. The Chief Executive Officer and his written designees are hereby authorized and

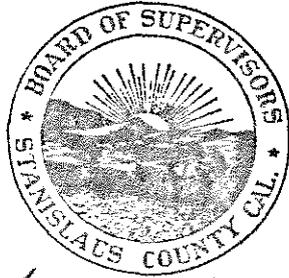
directed to take whatever steps are necessary to comply with the requirements of Rule 15c2-12 applicable to the Certificates following their execution and delivery.

Section 10. The Chief Executive Officer, or his written designee, is authorized to execute contracts with Special Counsel, Disclosure Counsel and Kelling, Northcross & Nobriga, as Financial Advisor, in order to obtain the legal and financial advisory services required to consummate the execution and delivery of the Certificates.

Section 11. The Chairman of the Board of Supervisors, the Chief Executive Officer, or his written designee, and the Clerk to the Board of Supervisors are hereby authorized, jointly and severally, to do any and all things and to execute and deliver any and all documents (including agreements terminating any of the recorded documents executed with respect to the Prior Certificates and the 1995 Certificates) which they may deem necessary and advisable in order to consummate the sale and delivery of the Certificates and otherwise effectuate the purposes of this Resolution, including the refunding and defeasance of the Prior Certificates, and such actions previously taken by such officers are hereby ratified and confirmed. In the event the Chairman of the Board of Supervisors is unavailable or unable to execute and deliver any of the above-referenced documents, any other member of the Board of Supervisors may validly execute and deliver such document, and, in the event the Clerk to the Board of Supervisors is unavailable or unable to execute and deliver any of the above-referenced documents, any deputy clerk may validly execute and deliver such document in her place.

Section 12. This Resolution shall take effect from and after its date of adoption.

ADOPTED, SIGNED AND APPROVED THIS 16th day of January, 2007.



Chairman of the Board of Supervisors

ATTEST

Clerk to the Board of Supervisors
County of Stanislaus, California

