

# The County of Yuba

## County Administrator

---



**TO:** Board of Supervisors

**FROM:** Kevin Mallen, County Administrator  
Sean Powers, Assistant County Administrator

**SUBJECT:** County Administrator: Adopt a resolution authorizing the issuance of Certificates of Participation (2021 COPs) to refinance the 2015 Certificates of Participation (Sheriff's Facility Project).

**DATE:** April 27, 2021

**NUMBER:** 193/2021

### *Recommendation*

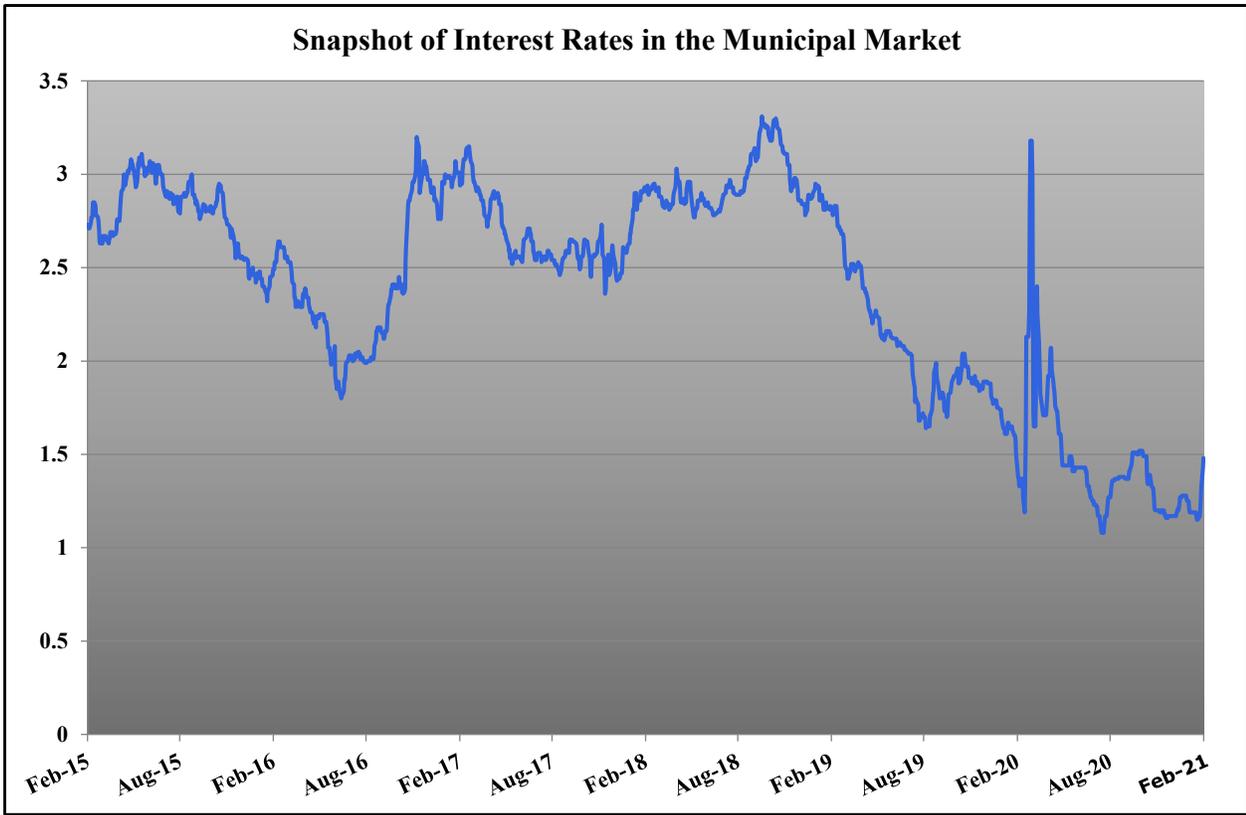
Adopt a resolution authorizing the issuance of Certificates of Participation (2021 COPs) to refinance the 2015 Certificates of Participation (Sheriff's Facility Project).

### *Background*

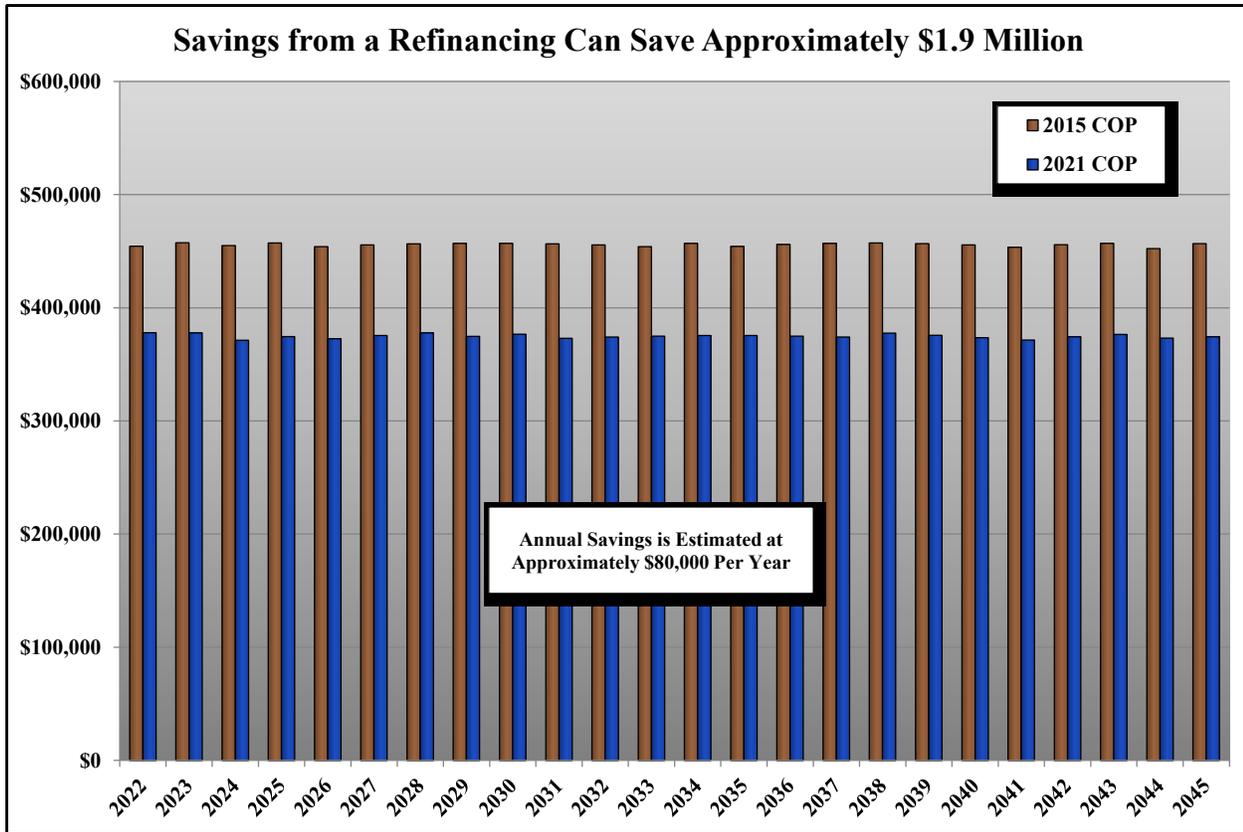
On February 4, 2015, the County issued the \$6,425,000 Certificates of Participation (2015 Sheriff's Facility Financing Project) (2015 COPs). The 2015 COPs were issued with a borrowing rate of 4.16% and are eligible for prepayment. At the February March 9, 2021 Finance and Administrative Committee it was presented that the 2021 COPs can be issued to provide an estimated annual savings of \$80,000 and the estimated total net present value savings of \$1.3 million. The overall term of the financing remains the same with a final maturity date of February 1, 2045. The 2021 COPs are estimated to fund on May 6, 2021 and the 2015 CPOPs will be repaid approximately 30 days later.

### *Discussion*

Interest rates have declined dramatically since 2015. They bottomed this summer, and have recently increased. The following graph illustrates the recent movements in interest rates for the benchmark, 20 year AAA scale that is applicable to the pricing of the County's refinancing.



Current interest rates allow the County to refinance the 2015 COPs at an interest rate of 3% without changing the term or payment structure. As shown in following graph, this equates to debt service savings of just over \$1.9 million or just over \$1.3 million on a net present value basis i.e., the value of the refinancing if the savings were to be taken in the form of an up-front payment to the County.



The savings are based on market conditions on February 25, 2021 as shared with the Finance and Administration Committee. The actual savings will not be known until the day of sale, which is currently scheduled for May 6, 2021. The chart below provides a sensitivity analysis of the net present value of savings if rates were to increase or decrease by ¼%. As you can see, savings are still substantial even if interest rates were to increase by ¼%.

Sensitivity Analysis		
Change in Interest Rate	Net Present Value \$ Savings	Net Present Value % Savings
-0.25%	\$1,596,696	25.39%
Base	\$1,387,765	22.06%
+0.25%	\$1,187,926	18.89%

The financing is implemented through a resolution that authorizes the County to borrow an amount sufficient to repay all of the 2015 COPs and accrued interest through the estimated repayment date of June 5, 2021. The actual borrowing amount and interest rates are expected to be in line with previous

estimates, all of which are below the legal maximum. The resolution also authorizes the County to execute the following documents, which are on file with the Board:

Form of Site and Facility Lease: The Site and Facility Lease between the County and the Yuba Public Facilities Corporation (Corporation) specifies that the County will lease certain property, for a 30 year term in exchange for the transfer of the COP proceeds, of which approximately \$6 million will be available for the Project.

The Form of Lease Agreement: The Lease Agreement defines the lease of the property back to the County in exchange for semi-annual debt service payments. Under an Assignment Agreement, the Corporation will assign all rights to receive lease payments to U.S. Bank National Association (Trustee) for the benefit of the investors.

Form of Certificate Purchase Agreement: An Agreement between the County and Hilltop Securities (Underwriter) that allows for the sale of the COPs.

Form of Preliminary Official Statement (POS): The COPs will be sold through a public offering using an offering document commonly referred to as a POS. The POS is prepared in accordance with industry standards. It contains important information about the County and the COPs being issued. The POS is considered preliminary because it is prepared prior to the sale and therefore omits pricing data. Following the sale of COPs, the POS will be updated with pricing data and will be brought into the form of a Final Official Statement (FOS).

Although the relevant County departments and consultants have participated in the review and preparation of portions of the POS, it is important that the Board of Supervisors review the POS, particularly those portions that describes the County.

Form of Continuing Disclosure Certificate: A Certificate that identifies the County's responsibilities with respect to providing annual and on-going disclosures to support the COPs.

*Committee Action:*

An information item was presented at the February March 9, 2021 Finance and Administrative Committee.

*Fiscal Impact:*

The COPs will allow the County to reduce debt service payments on the Sheriff's Facility Project. The estimated annual savings is \$80,000 and the estimated total net present value savings is \$1.3 million. The County will make debt service payments from funding sources, including, General Government Impact Fees, Water Agency Lease Payments, Public Safety Sales Tax, and General Fund contributions.

*Attachments*

193/2021 Resolution Authorizing of 2021 Sheriff's Facility Refinancing Project  
193/2021 Preliminary Official Statement  
193/2021 Trust Agreement  
193/2021 Lease Agreement  
193/2021 Escrow Agreement  
193/2021 Site and Facility Lease  
193/2021 Assignment Agreement  
193/2021 Termination Agreement  
193/2021 Certificate Purchase Agreement  
193/2021 Continuing Disclosure Certificate