



County Administrative Office

COUNTY OF TULARE AGENDA ITEM

BOARD OF SUPERVISORS

LARRY MICARI
District One

PETE VANDER POEL
District Two

AMY SHUKLIAN
District Three

EDDIE VALERO
District Four

DENNIS TOWNSEND
District Five

AGENDA DATE: July 30, 2024

| | |
|------------------------------------|-----|
| Public Hearing Required | N/A |
| Scheduled Public Hearing w/Clerk | N/A |
| Published Notice Required | N/A |
| Advertised Published Notice | N/A |
| Meet & Confer Required | N/A |
| Budget Transfer (Aud 308) attached | N/A |
| Personnel Resolution attached | N/A |
| Agreement(s) attached | Yes |

CONTACT PERSON: Jason Britt PHONE: 559-636-5005

SUBJECT: Millennium Capital Project Fund Program

REQUEST(S):

That the Board of Supervisors, sitting as the Board of Directors of the Tulare County Public Financing Authority:

1. Adopt a Resolution authorizing the prepayment of the principal of and interest on lease payments, and related bond principal and interest, and optional redemption of and with respect to the Tulare County Public Financing Authority Refunding Bonds, Series 2006 (Millennium Fund Program) (federally taxable), approving the Form and authorizing the execution and delivery of a Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, and authorizing official actions and execution of documents related thereto (Attachment 1).
 - a. Approve the Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, subject to County Counsel review and approval, in an amount not to exceed \$21,290,000 (Attachment 2).
 - b. Authorize the Board Chair to sign the Agreement.
 - c. Direct the Clerk of the Board to record the agreement with the Clerk-Recorder.

SUMMARY:

The Tulare County Public Financing Authority (the "PFA") issued \$45,000,000 of variable-rate demand bonds (the "1999 Bonds") in December 1999 to establish an endowment in anticipation of receiving the County's annual share of funds from the National Tobacco Settlement from the State of California. The objective of the endowment, known as the Millennium Investment Fund Program (the "Program"), is to

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provide a stable, long-term source of funds for capital improvements, maintenance, and repairs within the County. Certain County-owned properties were used as collateral for the 1999 Bonds. The PFA and County entered into a site lease and a lease agreement regarding these properties, whereby the County agreed to make lease payments sufficient to pay the principal and interest of the 1999 Bonds and other expenses related to the 1999 Bonds.

In December of 2006, the PFA refinanced the 1999 Bonds by issuing \$42,360,000 of variable rate, federally-taxable, refunding bonds (the "2006 Refunding Bonds"). The 2006 Refunding Bonds that support the Millennium Fund Investment Program were refinanced as a private placement, which helped to reduce the County's costs and served to isolate the Program from the credit crisis and liquidity crunch that existed in the capital markets in 2007 and 2008. The Program's ongoing investment goals are to achieve and maintain parity while generating an investment rate higher than the borrowing rate of the 2006 Refunding Bonds in order to grow the Program over time, and carefully control risk ensuring ongoing success.

After the regularly scheduled August 1, 2024, payment of principal, the total outstanding principal of the Bonds will be \$23,690,000. The Bonds will fully mature (be paid off) on August 1, 2034, but can be partly or completely paid off (redeemed) in any year in which the County has funds available and deems it appropriate to do so. Earlier this year, FMS Wertmanagement (FMS), the sole owner of the Bonds, offered the County a substantial discount of \$2.6 million to pay off the Bonds now rather than waiting for the Bonds to reach maturity.

In consultation with PFM, the County's Financial Advisor KNN, and the County Treasurer, staff are recommending that the County and PFA authorize the complete redemption of the Bonds at this time using one-time monies to fund the redemption, in order to take advantage of the discount offer.

Adoption of the Resolution in Attachment 1 will authorize the prepayment of the remaining lease payments and interest, and immediate redemption of the outstanding balance of the 2006 Refunding Bonds at a discounted price. It will also approve an agreement among the County; the PFA; the Bank of New York Mellon Trust Company N.A. (the Bond Trustee); and FMS (the Bond owner), which authorizes those actions, and terminates the leasehold interests on and releases the collateral for the 2006 Refunding Bonds.

FISCAL IMPACT/FINANCING:

By paying off the principal and associated interest on the Bonds of the Millennium Fund Program prior to the maturation date, the County will achieve considerable savings, and the potential for additional investment opportunities. This includes receiving a discount of \$2.6 million to the principal outstanding balance of the Bond repayment, eliminating the annual interest payments, and increasing investment returns. In addition, by implementing a separate Investment Policy, the MCPF funds can now be invested in long-term maturities that are intended to lock in a higher rate of return. After the payoff, the County will be able to file the Prepayment and Redemption Agreement with the Recorder, which will unencumber the collateral on the Juvenile Detention Facility, Library

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Building, and Agricultural Building.

The outstanding principal balance on the Bonds as of July 30, 2024 is \$25,390,000. A final scheduled annual payment on August 1, 2024 will reduce the balance to \$23,690,000. The applied discount of \$2,600,000 on the principal leaves a final payment of \$21,090,000. Interest has been preliminarily estimated to be below \$200,000. The County Administrative Office has submitted the AUD 308 (Attachment 3) to make the necessary budget adjustments in 001-012-1015 for Fiscal Year 2024/25 to redeem the bond principal and final calculated interest, in an amount not to exceed \$21,290,000, and to transfer associated revenues from Fund 532 – “Finance Management and Debt Reduction Fund”.

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

Tulare County’s Strategic Plan includes the initiative of Organizational Performance to promote continuous improvement of organizational effectiveness and fiscal stability. The Board’s approval of the requested actions concerning the Millennium Investment Fund helps fulfill this Initiative by ensuring the stability of county operations through efficient financial processes, reducing the County’s long-term debt, and releasing the leasehold interests in three important County facilities that were used to secure the 2006 Refunding Bonds.

ADMINISTRATIVE SIGN-OFF:

/s/ Jason T. Britt

Jason T. Britt

County Administrative Officer

Cc: County Administrative Office

Attachments:

- (Attachment 1) Resolution Authorizing Lease Prepayment, Bond Redemption, And Termination of Leasehold Interests and Release
- (Attachment 2) Agreement for Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release