



## COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

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### NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

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**MEETING DATE:** January 8, 2019

**TO:** Board of Supervisors

**FROM:** Martin Polt, Deputy County Executive Officer

**SUBJECT:** Resolution Of The Board Of Supervisors Of The County Of Nevada, State Of California, Authorizing The Execution And Delivery Of A Site Lease, Lease, Continuing Disclosure Certificate, A Bond Purchase Agreement, And A Preliminary Official Statement In Connection With The Issuance Of Nevada County Finance Authority County Operations Center Lease Revenue Bonds, Series 2019 In An Aggregate Principal Amount Not To Exceed \$20,615,000, Authorizing The Distribution Of An Official Statement In Connection With The Offering And Sale Of Such Bonds And Authorizing The Execution Of Necessary Documents And Related Actions

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**RECOMMENDATION:** Approve the attached resolution.

**FUNDING:** The County intends to issue a maximum of \$20.615 million of lease revenue bonds (Bonds) to fund the Operations Center project. Debt service payments will come from the General Fund beginning in Fiscal Year 19-20, with approximately \$1.45 million total annual debt service, \$250,000 per year allocated to the Roads, Transit, and Fleet departments, resulting in a net General Fund cost of \$1.2 million per year. The net cost to the General Fund for the Operations Center bonds is anticipated to be approximately the same as that of the 2011 Certificates of Participation (COPS), which were paid off in 2018. In other words going from paying for the 2011 COPS in Fiscal Year 18-19 to the Operation Center bonds in Fiscal Year 19-20 there is anticipated to be, at maximum, a zero net impact on the General Fund. In accordance with resolutions previously approved

by the Board of Supervisors for this project (see below for a list of resolutions), certain project costs that have been or will be paid out of the General Fund will be reimbursed with bond proceeds.

**BACKGROUND:**

In August, 2011, the Board of Supervisors adopted resolution 11-425, approving the purchase of 39.29 acres of property located at 12831 State Highway 49 (between Highway 49 and La Barr Meadows road) for the development of a Nevada County Operations Center Project (Project). The Project will establish a new Operations Center to house the primary operations of the Transit, Roads and Fleet Divisions of the Department of Public Works. Transit is currently operating on property adjacent to the County Airport. Roads and Fleet (including all county vehicle maintenance) are currently operating out of the Loma Rica corporation yard facility which has inadequate space, is in need of extensive maintenance, and is located above the snow line, which causes problems during the winter months. Once the divisions have moved to the new Operations Center, the space they currently occupy will be re-used (a study is currently underway for re-use of the corporation yard space also known as “Lot 6”; the current Transit space will also be assessed for re-use in the coming months).

Since 2011, a number of actions have been taken by the Board of Supervisors to move the Project forward:

- November 8, 2016 – Resolution 16-538 authorized a contract for Architectural Design services.
- April 24, 2018 – Resolution 18-165 approved a contract for Construction Management services.
- May 22, 2018 – Resolutions 18-199 and 18-200 approved contracts for Bond and Disclosure Counsel and Financial Advisory services related to the financing of the Project; and 18-201 authorized the reimbursement of project costs incurred prior to the issuance of bonds.
- September 11, 2018 – Resolution 18-462 authorized the early termination of 2011 Certificates of Participation debt service payments in order to free the Rood Center to be used as an asset for Project debt issuance.
- October 23, 2018 – Resolution 18-524 approved bidding documents and specifications, and directed the Purchasing Agent to solicit bids for the Project.

Construction bids were opened on December 20, 2018 with amounts ranging from \$14 million to \$17.4 million. For the purposes of estimating financing needs, construction costs are assumed to be \$16 million with total Project costs to be financed with a total bond issuance maximum of \$20.615 million (see Schedule of Costs below). As we approach the bond issuance date (estimated to occur during the week of January 21, 2019) we will use the most current information, including refined estimates on construction costs, to determine the final bond issuance amount (may be less than \$20.615 million).

Operations Center Project Financing – Schedule of Costs	
	Amount
Construction	16,000,000
Construction Contingency (10%)	1,600,000
Architectural Design / Construction Management	2,145,000
Other Project Costs (Building/Permit fees; Utilities; Arborist/Raptor studies)	450,000
Cost of Issuance (Bond Counsel, Financial Advisor, Underwriter, Other)	289,243
Bond Insurance / Surety Policy	128,642
Other Uses of Funds	2,115
<b>Total Bond Issuance Maximum</b>	<b>20,615,000</b>

The issuance of Bonds follows the requirements of the County’s Debt Management Policy, as approved in Resolution 16-054. External finance professionals are being used to ensure best practices and to negotiate the best terms for the Bonds (Bond Counsel, a Financial Advisor, an Underwriter, and Disclosure Counsel). The Debt Advisory Committee (including departments of the CEO, Auditor-Controller, Treasurer-Tax Collector, and County Counsel), have been included in the Bond issuance process and have reviewed Bond documents being presented to the Board.

The Bond documents attached to this item include terms that won’t be known for certain until the Bonds are priced (estimated to occur the week of January 21, 2019). The documents are in substantially final form but will be updated to reflect the final pricing results. The resolution includes approval of the following maximums:

- Maximum par value: \$20,615,000
- Maximum True Interest Cost\*: 4.40%
- Maximum maturity term: 10/1/2043
- Maximum annual lease payment: \$1,450,000
- Maximum underwriter’s compensation: 0.40%

*\*True Interest Cost includes costs of issuing the bonds*

Any excess Bond proceeds will be deposited into a fund held by the Trustee and will be used to make debt service payments. Security for the Bonds will initially be the Eric Rood Administrative Center (ERAC) until the Project is complete. After Project completion, the ERAC will be released and bond security will be transferred to the Operations Center facilities themselves.

To facilitate the issuance of the Bonds in accordance with Government Code, the attached agreements establish responsibilities between the County and the Finance Authority so that Bond payments can be transferred from the County to the Finance Authority, and the Finance Authority will in turn pay principal and interest on the bonds.

The attached resolution requests that the Board of Supervisors:

- Authorize the execution of necessary documents and actions related to the Bond issuance.
- Authorize the Auditor-Controller to establish funds/accounts necessary for the transaction.
- Acknowledge Exhibit F–Good Faith Estimate. Required by Section 5821.1 of the California Government Code, this document is generated by our Financial Advisor, KNN Public Finance LLC, and identifies estimated costs and payment terms.

Approve the following documents:

- Exhibit A: Site Lease—an agreement pursuant to which the County will lease certain real property and improvements owned by the County consisting of the Eric Rood Administrative Center (ERAC) to the Nevada County Finance Authority (Authority).
- Exhibit B: Lease—an agreement pursuant to which the County will lease the ERAC back from the Authority, and pay Base Rental Payments (as defined in the Lease), which are pledged to the owners of the Bonds by the Authority.
- Exhibit C: Purchase Agreement—outlines the terms and conditions of the Bond issuance, including sale price, and the Underwriter’s role and responsibilities.
- Exhibit D.1: Preliminary Official Statement (POS)—provides information to investors and prospective investors about the County and the Bonds. The Official Statement sets forth information about the terms of the Bonds, the security of the Bonds, and the sources and uses of the proceeds of the Bonds to be issued by the County. Includes Appendix A (Exhibit D.2)—which supplements the POS with financial, economic and demographic information for the County.
- Exhibit E: Continuing Disclosure Certificate—outlines the County’s responsibilities under the proposed financing with respect to disclosure of information to Bond holders.

The following key Project dates are expected:

- Week of February 4, 2019—Bond escrow closing and distribution of funds to County.
- February 12, 2019—Board of Supervisors meeting to award general construction contract.
- Mobilization/Construction to Start within 60 days of award of contract.

Thank you for your consideration.

**Item Initiated by and Approved by:** Martin Polt, Deputy County Executive Officer

**Submittal Date:** December 24, 2018