



## COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

Eric Rood Administrative Center

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### NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

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**MEETING DATE:** September 11, 2018

**TO:** Board of Supervisors

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

**SUBJECT:** Resolution of the Board of Supervisors of the County of Nevada Authorizing the Defeasance of County of Nevada Certificates of Participation (2011 Refunding) (Bank Qualified), the Execution and Delivery of an Escrow Agreement and Necessary Documents and Certificates, Authorizing Payment for Professional Services, and Related Actions

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**RECOMMENDATION:** Approve the resolution

**FUNDING:** The funding is summarized in the table below. In 2011, the County refinanced the Certificates of Participation (COP) which included a lease agreement to make payments for the Rood Administration Center. A debt service reserve fund (Reserve Fund, held by a trustee) in the amount of \$861,000 (ten percent of the total principal of the lease payments) was established as part of that refinancing. With the Defeasance and the Escrow Agreement authorized by this resolution, the County will terminate the Reserve Fund and use the proceeds to pay all the remaining lease payments. The approximate use of the Reserve Fund includes \$284,409 to make the remaining lease payments, \$3,250 for the early withdrawal and escrow fees, and \$573,341 to be returned to the County general fund.

Reserve Fund Current Balance	\$861,000
Less: Early Withdrawal & Escrow Fees	(3,250)
Less: Amount to fund Escrow Account	<u>(284,409)</u>
Remainder will go to General Fund	573,341

**BACKGROUND:**

In 2011, the County refinanced certain debt related to various county facilities by issuing \$8,610,000 of Certificates of Participation (COP). The "2011 Refunding" consolidated the debt

and was secured by the Rood Administration Center. The 2011 Refunding COP required debt service payments over approximately eight years, with the first payment occurring in 2012, and the last payment due October 1, 2019. That refinancing, the County included funding of a debt service reserve fund (Reserve Fund) for \$861,000, equal to ten percent of the total financing amount.

The resolution before the Board of Supervisors authorizes the County to pay off the outstanding COP debt service payments by depositing moneys into an escrow fund in an amount sufficient to pay the remaining debt service payments when they become due (the process of depositing funds into escrow to make remaining payments is called defeasance). When the County deposits the funds into escrow and the escrow agreement is executed, the County will be released from further obligation for the debt associated with the 2011 Refunding.

At the time of executing the Escrow Agreement on October 1, 2018, there will be one remaining principal payment on the 2011 COP in the amount of \$280,000, and two interest payments in the amount of \$5,600 each, for a total remaining debt service amount of \$291,200. Through the Escrow Agreement, the County will deposit \$284,409 into the escrow fund. Those funds will be invested in interest bearing US Treasury securities and will be used to make the remaining principal and interest payments upon their due dates. The Reserve Fund in the amount of \$861,000 will be terminated: \$284,409 will be directed into the escrow fund for the defeasance, \$2,000 will be paid to the Reserve Fund trustee for early withdrawal, \$1,250 for the escrow fee, and the remainder of \$573,341 will be returned to the County general fund.

These actions will release the County from obligation for the remaining debt service payments and remove the 2011 Refunding COP as an encumbrance on the Rood Administration Center (RAC). Once this encumbrance is removed, the County will be able to use the RAC to address other debt service needs, including an asset transfer related to the Solar financing, and financing for the Operations Center lease/bonds and construction.

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

Submittal Date: 8/27/18  
Revision Date: