

THE SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY JPA
AND COMMUNITY FACILITIES DISTRICT
2015-2016 FISCAL YEAR PROGRAM BUDGET





DATE: February 24, 2016
TO: Board of Directors
FROM: Rich Hill, Interim Executive Director
SUBJECT: Fiscal Year 2015-2016 Budget Message

INTRODUCTION

This budget reflects the anticipated 2015/16 fiscal year fiscal activities of the “Santa Cruz Libraries Facilities Financing Authority” Joint Powers Authority (LFFA), as created in accordance with the Joint Exercise of Powers Act, section 53311 et seq. of the California Government Code, and the “Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1” (CFD), as formed under the Mello-Roos Community Facilities Act of 1982, section 6500 et seq. of the California Government Code.

The LFFA was formed in December 2014 through an agreement with the County of Santa Cruz, and the cities of Santa Cruz, Capitola and Scotts Valley. It is noted that the Santa Cruz Library Joint Powers Authority (LJPA) was not a party to this agreement. Both the LFFA and the CFD had no assets or source of revenues at the time this budget was developed, and the purposes are identical. This is unusual in that the “legislative body”, the entity creating the CFD, more often provides the funding and in-kind assistance necessary to create the CFD and secure a source of funding.

The Joint Exercise of Powers Act discusses frequently the possibility of the parties to the JPA agreement as contributing in some fashion, either directly or through loans, to the expenses supporting the activities of the JPA. In the case of the LFFA, the LJPA, again not a party to the LFFA agreement, is providing the primary financial support to the LFFA, although the County of Santa Cruz and the City of Santa Cruz are both providing significant in-kind support in the form of staff assistance. Further, the Joint Exercise of Powers Act requires “strict accountability”. It discusses accounts, reports, and audits, but only seems to consider financial assistance from parties to the agreement. The Mello-Ross Act is considerably less specific with regard to issues of accountability. Furthermore, section 53314.9 of the Act specifically allows the LFFA to enter into an agreement, by resolution, with any person or entity willing to advance funds or provide in-kind work.

To recap the salient points above:

- The LJPA is providing the larger portion of advance funding and in-kind staff support, noting also that the County of Santa Cruz and the City of Santa Cruz are providing in-kind staff support.
- The LFFA and the CFD both have no revenues or assets, and the LFFA has no other purpose than that as defined by the CFD.

- The Joint Exercise of Powers Act requires strict accountability.
- The Mello-Roos Act allows CFD's to contract with entities to advance funds and provide in-kind work.

To address these issues the following actions have or will take place:

1. An agreement between the LFFA and the LJPA to advance funds and provide in-kind work to complete the program. Authority to provide in-kind work by the parties to the LFFA is inherent in the Joint Exercise of Powers Act.
2. The LFFA and the CFD will be considered as one program from a fiscal and financial accountability point of view, since the only financial resources will come from a successful election that will fund the CFD. This budget is presented as one budget representing the fiscal activities of both entities.
3. Developing a budget to identify and track all past expenses and in-kind support that are directly and indirectly related to this program.
4. Working with the LFFA's Controller-Treasurer, the appropriate financial systems will be established should the bond measure be successful.

These actions should ensure strict accountability, reasonably accommodate and contribute to good management of the program, and provide similar assurances to the public.

PROGRAM ACTIVITIES

The program budget proposed total expenditure for this fiscal year is \$484,000, broken down as:

• Personnel	\$ 36,000
• Contracts/Services	\$ 545,500
• Supplies	<u>\$ 2,500</u>
Total	\$584,000

This fiscal year a lot of effort went into developing the information and resolutions necessary to create the (CFD) and the data acquisition and analysis for the special tax measure. The CFD is that public entity which is created to define a boundary within which a special tax may be assessed, which in this case will fund the much needed construction and improvements of library facilities throughout the County. The proposed tax for a single-family property will be \$49.50, a little more than \$4/mo. or less than 14 cents per day. Should this ballot measure be successful, the revenues will secure bonds to construct improvement for the library branches throughout the county. A recent poll conducted in January assessed voters' support for the proposed measure indicated that the voters favor the bond measure.

This 2015-2016 fiscal year budget addresses all LFFA/CFD activities leading up to the June 7, 2015 election, and represents the lion's share of the expenditures. It is also important to note that at the beginning of the calendar year the LFFA/CFD acquired through the Libraries JPA the services of dedicated temporary, part-time Interim Executive Director to provide managerial/administrative support. This too is viewed as another element in accommodating the strict accountability protocols.

With most of the legal, managerial and administrative systems in place, the remaining program activities from the date of this budget adoption will include election costs estimated at \$350,000; and two NBS contracts and meeting the deadlines as determined by the election calendar. The NBS contracts are: 1)

services to refine the special tax method for \$10,000; and 2) research and development of tax procedures for \$4,500, and the tax administration fee for \$13,500, which is incurred if the election is successful. Approval of this budget will approve these two contracts with NBS.

If the ballot measure is unsuccessful, the remainder of the fiscal year will conclude with activities relating to abandoning the LFFA/CFD and transitioning and concluding the duties of the temporary, part-time Interim Executive Director.

Should the election be successful, the fiscal year-end activities would include:

- Development of a reimbursement plan and schedule for direct and indirect costs associated with this program as provided by other agencies.
- Tax administration activities as provided by NBS.
- Document preparation and management of the pre-sale process for the first issue of bonds to fund the construction and improvements of the libraries.
- Executive Director transition plan.
- LFFA/CFD general administration and management.

These activities would continue into the next fiscal year, and require interim funding from the Libraries JPA until the tax proceeds are received, which initially should be early in January 2017.

Developing the reimbursement plan and managing the pre-sale process will likely be complex and time consuming. Consideration should be given to these activities when transitioning the Executive Director duties to existing Libraries JPA staff.

Finally, it is important to note that the program goals of the LFFA/CFD have come a long ways since the Bond Measure election was first conceived, and with considerable success. This success, as well as the preparation and submission of this budget, is the result of the considerable efforts from the Libraries JPA administrative staff and management, and the capable assistance of Marcus Pimentell, past Interim Executive Director and Nicole Coburn, Senior Analyst with Santa Cruz County.

BUDGET PROGRAM AND EXPENSES

THE AUTHORITY

The Libraries Facilities Financing Authority (LFFA) is an entity established by agreement, in December 2014, among the County of Santa Cruz and the Cities of Santa Cruz, Capitola and Scotts Valley, through the Joint Exercise of Powers Act as allowed by the California Government Code. This authority is created for the specific purpose of establishing a Community Facilities District that sets boundaries for the assessment of a special tax for the purposes of financing much needed construction and improvements of Library Facilities, and related costs. The boundaries of the LFFA are those of Santa Cruz County with the exception of the City of Watsonville city limits. In December 2015 the LFFA formation agreement was amended to define the special tax, and the nature and distribution of any future Bond Proceeds.

THE PROGRAM

For the 2015-2016 fiscal year the program consists of various administrative activities for the preparation of a ballot measure for the June 7, 2016 primary election. These activities include in part: 1) opinion surveys; 2) tax area analysis and boundary definition; 3) development and preparation of rates and method of apportionment; 4) Community Facilities District creation; 5) Ballot language development; 6) Authority administration; 7) preparation and management of contracts; and, 8) Development of financial information, including budget development and administration.

Subsequent to a successful election, this program will fund the Library Facilities construction and improvements from the proceeds of bond sales, and from revenue received through the successful June 7, 2016 ballot measure. Prior to the election this program will be funded by the Santa Cruz Libraries JPA and in-kind service provided by the County Santa Cruz and the City of Santa Cruz.

THE PEOPLE

The Santa Cruz Libraries JPA during this fiscal year is providing the financing and staffing for the LFFA. The County of Santa Cruz, and the City of Santa Cruz are providing additional staff support, until the ballot measure is passed. One part-time Interim Executive Director, funded through the Libraries JPA, is providing dedicated administrative and managerial staff services to the LFFA.

The Interim Executive Director: Supports the LFFA Board including advising and recommending actions and policies to the Board, attend meetings, respond to Board direction and inquiries, and provides other duties relating to direct staff support; coordinates with SCPL, City of Santa Cruz, and County of Santa Cruz staff on matters and interests related to the LFFA; coordinates with consultants and manages contracts for services related to: Financial Advisor, Bond Counsel, surveys, Tax information development and calculations and others as needed; and provides other services including budget development, reimbursement plan, and management systems review and development.

The Treasure-Controller of the Authority is the Santa Cruz County Auditor Controller.

THE CONTRACTS

The LFFA is serviced, during this fiscal year, by five consultants under ten different contracts and amendments. These contracts services are:

- Public Opinion Survey (2 contracts)

- Tax development and Administration (4 Contracts)
- Ballot Measure and Data Development (2 Contracts)
- Financial Advisory (1 contract which includes non-contingent fees)
- Bond Counsel (1 contract which includes non-contingent fees for CFD creation)
- Consolidated County Election

OTHER SERVICES

Other services include:

- In house legal counsel provided by ABC Law.
- Liability Insurance

SUPPLIES

The cost of supplies is mostly for the printing of information fliers, which are made available to the public upon request.

RECOMMENDED FY 2015-2016 EXPENSES

Contract And Services Expenses

TBWB: Feasibility Assessment Ballot Measure	\$ 20,000.00
TBWB: Mailer Printing	\$ 17,000.00
TBWB: Mailer Postage	\$ 20,000.00
Jones Hall non contingent:	\$ 10,000.00
Jones Hall non contingent exp (est.)	\$ 1,000.00
Harrell Co. non contingent:	\$ 5,000.00
Harrell Co. non contingent exp:	\$ 1,500.00
NBS Rate and Method of Appropriations August 31, 2015	\$ 23,000.00
NBS: Data collection/analysis, sf est. September 15, 2015	\$ 15,000.00
NBS: Refine special Tax method December 20, 2015	\$ 10,000.00
NBS: Research/ development procedures/tax admin January 19, 2016	\$ 18,000.00
Bregman: Survey August 10, 2015	\$ 20,000.00
Bregman: Survey January 7, 2016	\$ 20,000.00
Estimated Elections Cost	\$350,000.00
Authority Counsel	\$ 10,000.00
Insurance (Workers Compensation and Liability)	\$ 5,000.00
Subtotal Contracts and Services	\$545,500.00
Personnel Costs (Interim Executive Director)	\$ 36,000.00
January 15, 2016 - June 30, 2016	
24 weeks at \$1500/wk	
Supplies	\$ 2,500.00
TOTAL RECOMMENDED LFFA BUDGET	\$584,000.00