



- Site Lease: Between the County and the Corporation, leasing the Solano County Government Center, adjacent parking facility, and the associated site (“Leased Property”) from the County to the Corporation
- Lease Agreement: Between the County and the Corporation, leasing back the Leased Property from the Corporation to the County
- Trust Agreement: By and among MUFG Union Bank, N.A. (“Trustee”), the Corporation, and the County, engaging the Trustee
- Assignment Agreement: Between the Corporation and the Trustee assigning all lease payments from the Corporation to the Trustee
- Certificate Purchase Agreement: By and among the Underwriter, the County, and the Corporation setting the terms of the Underwriter’s engagement

County staff and the financing team are targeting pricing of the 2017 Certificates on Tuesday, August 15, 2017 and closing on Wednesday, September 20, 2017. An escrow agent will then redeem the 2007 Certificates on November 1, 2017.

### **FINANCING IMPACT:**

The purpose of the transaction is to achieve debt service savings. The Board of Supervisors has previously considered the refunding of the County’s 2007 Certificates of Participation (“2007 Certificates”) at its July 25, 2017 and August 1, 2017 meetings. As part of this consideration, the Board was asked to select between a funding alternative that was intended to optimize annual cash flow savings and a second alternative that provided greater total savings which will be realized after thirteen calendar years at the expense of annual savings. After careful consideration of the merits of both scenarios, the Board selected the scenario providing the greater total savings.

The Underwriter currently estimates net present value (NPV) savings of \$12,687,304.39, or 15.07% of refunded principal assuming a shortened final maturity of 2030 and a continuance of annual debt service expense at levels approximately equal to current levels. The Resolution requires a minimum of 5.00% NPV savings to proceed with the transaction. Costs of issuance will be paid from the proceeds of the transaction, and savings are net of costs.

The transaction will also increase the County’s flexibility for future lease financing transactions if the need for them arises. The 2007 Certificates encumber the Solano County Government Center and parking facility, probation facility, and improvements to the utility plant and library. The repayment of principal and appreciation in the value of the assets since 2007 allows for the removal from the lease of the probation facility and improvements to the utility plant and library. Their value could be encumbered for future transactions after issuance of the 2017 Certificates and refunding of the 2007 Certificates.

### **ALTERNATIVES:**

The Board may choose not to adopt the Resolution. This is not recommended because it would mean the County will not be able to complete the transaction at this time thereby foregoing potential savings which are beneficial to the County. Delaying the transaction risks that any future transaction to refund the 2007 Certificates will not achieve the same level of savings expected to be available now.

### **OTHER AGENCY INVOLVEMENT:**

County Counsel, County Administrator, The County’s Financial Advisor, Bond Counsel, Disclosure Counsel, Trustee, and the Debt Advisory Committee have reviewed and assisted in the drafting of this item.

### **CAO RECOMMENDATION:**

## APPROVE DEPARTMENTAL RECOMMENDATION