



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: County Administrative Office

Subject: Second Supplement to Amended and Restated Joint Exercise of Powers Agreement for Santa Cruz Libraries Facilities Financing Authority

Meeting Date: March 25, 2025

Formal Title: Approve Second Supplement to the Amended and Restated Joint Exercise of Powers Agreement for the Santa Cruz Libraries Facilities Financing Authority, and take related actions

Recommended Actions

Approve the Second Supplement to the Amended and Restated Joint Exercise of Powers Agreement for the Santa Cruz Libraries Facilities Financing Authority, increasing the maximum allocation and member distributions, and authorize the County Administrative Officer, or designee, to sign.

Executive Summary

On June 7, 2016, the passage of Measure S authorized the Santa Cruz Libraries Facilities Financing Authority (LFFA) to issue up to \$67,000,000 in bonds, and levy a special tax annually on parcels within the Community Facilities District to pay debt service on the bonds and directly pay the costs of the authorized library projects. With Measure S revenues continuing to exceed estimated amounts, the LFFA unanimously recommended distributing the additional revenues. This memo requests Board approval of the Second Supplement to the Amended and Restated Joint Exercise of Powers Agreement (JPA) to provide for this distribution.

Discussion

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD) was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17.

Pursuant to the First Supplement to the JPA, the allocation of funding among members is \$77,500,000. Each member receives their share of annual net special tax revenues as a funding source after the allocation of a pro-rata share of debt service relative to the bond proceeds that were raised for each member. After the 3rd series of special tax bonds being considered for the City of Santa Cruz's Downtown Library project, the members will have received the amounts shown in Table 1.

Table 1: First Supplement Allocation of \$77.5 Million

Member	Allocation	Received to Date	Proposed 3rd Series	Balance to be Funded	Total Allocation
County of Santa Cruz	41.94%	\$32,500,000	\$ -	\$ -	\$32,500,000
City of Santa Cruz	40.32%	18,359,769	12,890,231	-	31,250,000
City of Capitola	12.90%	10,000,000	-	-	10,000,000
City of Scotts Valley	4.84%	3,574,536	-	175,464	3,750,000
Total	100.00%	\$64,434,305	\$12,890,231	\$175,464	\$77,500,000

The LFFA's municipal advisor prepared a projection of special taxes to remain after the issuance of the 3rd series of special tax bonds. To summarize, the projections show approximately \$30 million in available special tax over 21 years after the 3rd series of bonds debt service is paid. If the allocation cap is increased, this annual special tax can be distributed to members to use for capital projects.

After the issuance of the 3rd series of bonds, approximately \$14 million will remain of the original bond authorization. Based on today's interest rates, the remaining time available to collect the special taxes and the required debt service coverage, the CFD could raise a maximum of \$11 million. After paying debt service on this additional series of bonds (assuming the maximum issuance), there would be \$440,000 in remaining annual surplus to distribute to members for projects.

On February 24, 2025, due to the funding available, the LFFA unanimously approved the Second Supplement, increasing the maximum distribution to the parties by \$30,000,000, in the same percentage as the existing distribution. Table 2 shows the proposed allocation based on the new maximum.

Table 2: Second Supplement Allocation of \$107.5 Million

Member	Allocation	Original Allocation	Increase	Revised Allocation
County of Santa Cruz	41.94%	\$32,500,000	\$12,582,000	\$45,082,000
City of Santa Cruz	40.32%	31,250,000	12,096,000	43,346,000
City of Capitola	12.90%	10,000,000	3,870,000	13,870,000
City of Scotts Valley	4.84%	3,750,000	1,452,000	5,202,000
Total	100.00%	\$77,500,000	\$30,000,000	\$107,500,000

To effectuate this change, the Second Supplement must be approved by the Capitola, Santa Cruz and Scotts Valley City Councils, and the Santa Cruz County Board of Supervisors. The Second Supplement provides that special tax revenues and net bond proceeds are to be distributed to the jurisdictions in the modified maximum amounts using the percentages specified above. As with the original allocation, the total can be funded with a combination of bond proceeds and special taxes.

Staff recommend that the Board approve the Second Supplement, providing the County with an additional \$12,580,000 over 22 years. The LFFA scheduled a special meeting on April 3, 2025 to consider and approve the 3rd bond issuance for the City of Santa Cruz's Downtown Library project.

Financial Impact

Approving the Second Supplement will provide an additional \$12,580,000 in funding for the County's library capital needs over 22 years. The County will receive approximately \$537,000 annually in special tax revenue unless the County identifies a capital need for a 4th debt issuance.

Strategic Initiatives

Operational Plan - Dynamic Economy

Submitted By:

Carlos Palacios, County Administrative Officer

Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.