



LIBRARY FACILITIES FINANCING AUTHORITY  
JOINT POWERS AUTHORITY BOARD

Thursday August 27, 2015  
Downtown Branch Meeting Room  
224 Church Street, Santa Cruz, CA 95060

9:00 a.m. PUBLIC MEETING

**The Board reserves the right to take action on any item included on this agenda.**

1. ROLL CALL
2. APPROVE AGENDA OF August 27, 2015
3. ORAL COMMUNICATIONS
4. EXECUTIVE DIRECTOR REPORT
5. CONSENT AGENDA
  - A. Approve Minutes of August 6, 2015 meeting (pg 1)
6. STAFF REPORTS
  - A. Rate and Apportionment Study Session and direction (pg 5)
7. WRITTEN COMMUNICATION
  - A. Letter from LFFA to Library JPA members (pg 13)
8. BOARD MEETING CALENDAR

The Board will consider its current meeting schedule and may revise it as necessary.

9. NEXT MEETING

The next regularly scheduled meeting will be determined.

10. ADJOURN

The Facilities Financing Authority Joint Powers Authority Board will adjourn from the regular meeting of August 27, 2015 to its next regular meeting of September 10, 2015 at the Downtown Branch Meeting Room at 9:00 am.

The Santa Cruz County Library Facilities Financing Authority does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment, please call the Library Administration Office at 427-7706 at least five days in advance so that we can arrange for such special assistance, or email [library\\_admin@santacruzpl.org](mailto:library_admin@santacruzpl.org).

SANTA CRUZ PUBLIC LIBRARIES  
A CITY-COUNTY SYSTEM

FACILITIES FINANCING AUTHORITY  
LIBRARY JOINT POWERS AUTHORITY BOARD

MINUTES

Downtown Branch Meeting Room  
224 Church St. Santa Cruz, CA 95060

August 6, 2015

10:00 AM PUBLIC MEETING

1. ROLL CALL

Director Steve Ando; Director Martin Bernal; Director Jamie Goldstein; Director Susan Mauriello

Staff: Marcus Pimentel, Interim Executive Director

2. APPROVAL OF MEETING AGENDA OF AUGUST 6, 2015

Agenda of August 6, 2015 was approved by consensus.

3. ORAL COMMUNICATIONS

A member of the public commented on a presentation by Director Mauriello in January 2015 regarding library facilities projects. Both Live Oak and Scotts Valley were listed at \$5 million in this report, which were larger than the amounts discussed in the Facilities Master Plan. He is asking for more detail.

4. CONSENT AGENDA

A. Approve Minutes of January 22, 2015

**Director Goldstein moved, seconded by Director Bernal**

**That the Board approve the following Consent Agenda of August 6, 2015**

**A. Approve Minutes of January 22, 2015**

**UNAN**

5. OTHER BUSINESS

A. Appointment of legal counsel

Interim Executive Director Pimentel summarized his report: Legal Counsel for this board as well as potential legal counsel for a bond issue i.e. Bond Counsel need to be considered. Jones Hall has been providing advice without an agreement. Director Goldstein suggested to continue with the agenda and then circle back to this item.

A member of the public commented on the question of payment for Bond Counsel.

B. Discussion of possible revenue measure in 2016

Interim Executive Director Pimentel summarized the report regarding a potential 2016 ballot measure. He emphasized the need to act within the next 30-60 days due to the rather tight timeline.

The Board discussed the report and possible dates for a proposed ballot measure. Gene Bregman, Gene Bregman & Associates, was present, answered numerous questions and provided different scenarios for possible ballot dates. He pointed out that there are at least 5 major ballot measures on the November 2016 ballot, which will be very competitive.

A member of the public commented on the varying results of two past polls.

The Board members agreed that June 2016 seems to be a very ambitious date. However, the City of Capitola considers the timing of very high priority and considers June 2016 to be the preferred target date.

Election costs, especially for a special election in 2017, were discussed as well.

The rates for commercial properties need to be determined. Three different model scenarios have already been looked at.

Mr. Bregman cautioned that several scenarios should be worked out ahead of time in case the desired amount of \$60 million cannot be realized. The date for a poll should

be dependent on how soon an agreement can be reached on the project funding allocation. The Facilities Master Plan does not provide information on setting priorities.

A detailed annotated timeline should be written up to provide realistic target dates for a June 2016 ballot including poll guidelines.

Director Goldstein suggested:

- 1) Scheduling a number of meetings for the next 4 weeks.
- 2) County/City of Santa Cruz should dedicate some staff to present various models regarding funding.
- 3) The Executive Director work with the Library consultant to provide information to the County regarding commercial apportionment.

In addition, an informational report from the Facilities Financing Authority Board to the Library Board and the respective jurisdictions as well as the Friends should be prepared. (Interim Executive Director Pimentel and Nicole Coburn, signed by Board members)

The adopted library budget already has funding set aside for consultant fees, etc. which will be available.

A. Appointment of legal counsel - continued –

A letter should be sent out to various firms to gauge a level of interest from Bond Counsel firms. No charges will incur until the completion of bond issue.

In regards to legal counsel for this Board, it was decided that presently employed attorneys from the various jurisdictions will suffice for the time being.

C. Establish calendar of meetings

The following dates were agreed upon: August 27 (Special Study Session), September 10, October 1, and October 15, 2015.

D. Update on Library Director recruitment

Director Bernal brought up the issue of hiring a recruiter, which is considered to be an essential part of the recruitment process. Funding for a recruiter is already budgeted in the Library budget.

The Board suggested hiring the previous recruiter who was involved in the process of hiring the previous Library Director. Interim Library Director O'Driscoll is going to contact the recruiter to inquire about terms and fees etc.

The JPA amendment has not been completed; various updates and comments still need to be incorporated.

A member of the public recommended to offer the position to Interim Library Director O'Driscoll.

6. BOARD MEETING CALENDAR

7. NEXT MEETING

The Facilities Financing Authority Joint Powers Authority Board (FFA JPB) adjourned the Regular Meeting of Thursday, August 6, 2015 to the Regular Meeting on Thursday, August 27, 2015 at 9:00 am at the Downtown Branch upstairs meeting room.

8. ADJOURN

The regular meeting adjourned at 10:29 am.

Respectfully submitted,

Helga Smith, Secretary of the Board

All documents referred to in these minutes are available in the Library Office.

## STAFF REPORT

AGENDA: August 27, 2015

DATE: August 24, 2015

TO: Library Facilities Financing Authority Board of Directors

FROM: Marcus Pimentel, Interim Executive Director

SUBJECT: Item 6.a.- Rate & Apportionment Study Session & Direction

### RECOMMENDATION

That the Library Facilities Financing Authority (LFFA) conduct a study session to provide staff direction regarding the apportionment factors and criteria for the creation of the Communities Facility District (CFD) special tax.

### BACKGROUND

The Santa Cruz Public Library JPA (SCPL) formed the LFFA for the creation of a CFD to levy a special tax to fund the Library system public library improvements as identified in the Facilities Master Plan. The proposed boundary of the CFD would match the boundary of the SCPL, which includes the entire county except for the City of Watsonville.

CFD was established to fund public improvements with a useful life of five years or more. In general, CFDs allow for greater flexibility than traditional assessment districts. Only registered voters within the CFD boundary approve the CFD and special tax rates. The CFD tax rates are flexible and can adapt to changes in parcels that may occur in the future. The tax categories and rates can be increased or contracted as determined by the LFFA without a nexus requirement. As such, they do not require comprehensive reports to confirm that the proportionality between categories is related to the services received. Also, a CFD would allow for future expansion of its boundary area.

To stay within the timeline required to form a CFD and put forth a June 2016 ballot measure, the LFFA must expedite the creation of the special tax categories and apportionment factors to proportionally allocate tax rates on parcels within the Library's member agencies. The final tax rate and ultimate project cost, although critical, is scheduled to be finalized by October 1, 2015 (see attached timeline).

### DISCUSSION

Initial discussions of a potential CFD began in 2013 with the SCPL and its subcommittee of County and City administrators. NBS Government Finance Group was contracted by the SCPL to support the CFD evaluation process. A general tax apportionment model has been developed using County Assessor parcel data to define the categories and sub-

categories. Parcel data was recommended, as it is readily available and easy to interpret and understand by taxpayers. The table below shows the tax categories and apportionment factors that serve as the current starting point for discussion during this study session. The most critical path and required decisions currently are on the tax categories, sub-categories, tax basis, and tax factor. The attachment contains some key discussion points and questions that will be discussed during the study session.

<b>Overall category</b>	<b>Sub-category</b>	<b>Tax basis</b>	<b>Tax factor</b>	<b>Sample tax rate base: \$ 59</b>	<b>Sample tax rate base: \$ 54</b>	<b>Sample tax rate base: \$ 49</b>
Residential	Single family parcel	Each Parcel	1	\$ 59	\$ 54	\$ 49
	Multi-family	Each Unit	0.7	\$ 41.3	\$ 37.8	\$ 34.3
Business- Commercial, Industrial, Recreation, Retail, other	Up to ½-Acre parcel size	Each Parcel	1	\$ 59	\$ 54	\$ 49
	Between ½ Acre and 1 Acre	Each Parcel	2	\$ 118	\$ 108	\$ 98
	Between 1 Acre and 5 Acres	Each Parcel	5	\$ 295	\$ 270	\$ 245
	Greater than 5 Acres	Each Parcel	10	\$ 590	\$ 540	\$ 490
Agricultural	Up to 5 Acres parcel size	Each Parcel	1	\$ 59	\$ 54	\$ 49
	Between ½ Acre and 1 Acre	Each Parcel	2	\$ 118	\$ 108	\$ 98
	Between 1 Acre and 5 Acres	Each Parcel	5	\$ 295	\$ 270	\$ 245
	Greater than 5 Acres	Each Parcel	10	\$ 590	\$ 540	\$ 490
Vacant land (exempt)		Each Parcel	0	\$ 0	\$ 0	\$ 0

**Overall category.** All parcel types were broken into four categories for consideration: residential; commercial & other; agricultural; and vacant parcels. Residential is the largest category with 88% of all parcels/units (63% for single family and 25% for the number of multi-family dwelling units). Commercial, agricultural and vacant parcels made up 3.5%, 0.7% and 7.6% of the total.

The broad commercial category includes all business parcels (commercial, retail, and industrial) and recreational parcels (parks, government owned parcels, etc.).

**Sub-category.** Within each category, further breakout was essential to allocate the tax rates proportionally.

Within residential, a distinction was made between parcels zoned as single family residential and those parcels with more than one residence (from duplex to larger apartments, condominiums, or detached houses). For the later multi-family parcels, the allocation factor was changed from parcel to number of dwelling units on the parcel.

Within the broad commercial category, the further distinction was made based on acreage size of the parcel (up to ½ acre, ½- to 1 acre, 1-5 acres and over 5 acres).

Within agricultural, a parcel size allocation was created, but also included a distinction for any small agricultural parcels that are farmed by owners living on the property. The structure therefore started with these small farms, followed by general agricultural parcels up to 5 acres, 5 to 40 acres, and those over 40 acres.

**Tax Basis.** It is a widely-used practice to allocate parcel taxes and assessments based on criteria maintained within the County parcel data structure. The current model uses such a base to identify parcel types.

However, CFDs do allow the use of other basis types. The intent in evaluating other options is to maximize how a parcel's basis can relate to Library services. Some other parcel bases that were considered included total square footage of buildings, number of employees, and gross sales activity.

One of the biggest financial challenges within these alternatives is the increased fluctuation from routine changes in any of the measurement factors. The risk of an unstable revenue's ability to meet debt service needs can cause bond underwriters to set higher bond interest rates. In addition, it can be very challenging to create and maintain a credible database to issue the tax bills. Finally, since these factors could be harder to verify independently, it could create more challenges during potential appeals hearings, or require additional audit work.

**Tax Allocation Factor.** The tax allocation factor (also know as equivalent dwelling unit or EDU) sets the primary tax basis. Within this model, the Single Family Residence was set as the primary tax category.

The tax factor is decreased or increased for other sub-categories. For multi-family residential units (or apartments or other dwelling units on the parcel), because it was a



broader residential base, the category's tax rate was discounted for each dwelling unit to 70% of a single-family residential parcel.

For commercial and agricultural related categories, they each start with the same rate as single family residences and escalate each subsequent category to a tax rate factor of 2-times, 5-times and 10-times the single family tax rate factor.

**Tax rate base.** The sample tax rates selected were based on the Facility Master Plan and subsequent analysis and discussion to create a structure that could support between a \$60-million and \$70-million project scope. The final tax rate will be based on the required project funding. The discussions on this final amount are continuing with member agencies and are not anticipated to be a large discussion point during this study session as future poll results will help refine these amounts.

Prepared by:	Approved by:
Marcus Pimentel	Marcus Pimentel
Interim Executive Director	Interim Executive Director

ATTACHMENTS:  
Summary of CFD apportionment questions

## Study Session Discussion Points

### 1. Create a maximum annual tax payment

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Fiscal stability for large property owners	Revenue risk from lost assessments for parcels purchased by capped owners	
Limit political ballot challenges from large property owners	Debt service risk that bond market would price into higher bond interest rate	A 1% increase in the ultimate bond rate could increase the annual assessment by 24%, equating to \$13.8 million in additional interest over the life of the bond
	Higher frequency for appeals	Difficulty in confirming same owner between different corporations or LLC

### 2. Sub-category rates tied to existing data within assessor existing codes (parcel type, parcel size, and/or land use, etc.)

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Ease of implementation for assessor/tax collection	Limited parcel codes may not correlate well to Library services	With a June 2016 ballot measure, a complex or custom tax model may delay collections until the FY17/18 tax year
Consistent with other parcel tax models		
Property owner ease in determining tax rate		

### 3. Sub-category rates tied to alternate data outside of existing assessor codes (number of employees on parcel, gross sales from parcel, square footage of buildings, etc.)

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Custom categories may correlate well to Library services	Ease of implementation for assessor/tax collection	With a June 2016 ballot measure, a complex or custom tax model may delay collections until the FY17/18 tax year
	Property owner ease in determining tax rate	
	Building and auditing category data structure	
	High likelihood for complicated appeals	
	Fluctuation risk within revenue	The potential for fluctuating/unstable tax basis can create enough uncertainty for bond underwriters to price that into bond rates, creating a higher interest rate

**4. Model that allows property owners to pay off assessment balance at once**

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Allow property owners to pay down debt as proceeds or lower borrowing costs allow	Require complicated formula to administer and/or can be financially inefficient	Although it is required for traditional assessment districts, its is optional to include within a CFD rate and apportionment structure

**4. Exempt government owned parcels**

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Can avoid opposition from key stakeholders	Reduces tax base requiring slightly higher rates for other tax categories	

**5. Exempt vacant land**

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Can avoid opposition from parcel owners where parcels don't have a tie to Library services	Reduces tax base requiring slightly higher rates for other tax categories	When it is converted into another use, the applicable tax rate would then apply
General public can view this positively		

**6. Higher commercial tax factor**

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Can reduce the tax base for single family residential and agricultural categories	Can create risk of opposition to the ballot measure	

**7. Lower agricultural tax factor**

<i>Benefits</i>	<i>Challenges</i>	<i>Notes</i>
Can reduce risk of opposition to the ballot measure by parcel use less tied to Library service	Would increase rates for single family residential and commercial categories	At less than 1% of total tax unit count, changes within this category have a modest overall impact to other rate categories

**SANTA CRUZ COUNTY LIBRARY  
COMMUNITY FACILITIES DISTRICT**

**DRAFT FORMATION SCHEDULE**

**Includes key possible dates for member agency actions**

8/27/2015 (Thu)	<b>LFFA Meeting</b> – Rate and Apportionment study session and direction
9/08/2015 (Tue)	<b>Santa Cruz City Council</b> - approve Library JPA MOU governance amendments ( <i>September 29<sup>th</sup> as alternative</i> )
9/10/2015 (Thu)	<b>LFFA Meeting</b> – Final direction on Rate and Apportionment (if necessary); consider conducting new poll (to supplement Library JPA prior polls)
9/10/2015 (Thu)	<b>Capitola City Council</b> - approve Library JPA MOU governance amendments ( <i>September 24<sup>th</sup> as alternative</i> )
9/15/2015 (Tue)	<b>Library JPA Meeting</b> – Receive information as to recruitment process for Library Director and future Executive Director of LFFA
9/16/2015 (Wed)	<b>Scotts Valley City Council</b> - approve Library JPA MOU governance amendments
9/29/2015 (Tue)	<b>County of Santa Cruz Board of Supervisors</b> - approve Library JPA MOU governance amendments
10/01/2015 (Thu)	<b>LFFA Meeting</b> – Review poll results (if necessary); recommend LFFA MOU amendment related to allocation for Public Library Improvements
10/07/2015 (Wed)	<b>Scotts Valley City Council</b> - approve LFFA JPA MOU amendment(s) related to Public Library Improvements ( <i>October 21<sup>st</sup> as alternative</i> )
10/08/2015 (Thu)	<b>Capitola City Council</b> - approve LFFA JPA MOU amendment(s) related to Public Library Improvements
10/13/2015 (Tue)	<b>Santa Cruz City Council</b> - approve LFFA JPA MOU amendment(s) related to Public Library Improvements
10/15/2015 (Thu)	<b>LFFA Meeting</b> – (placeholder for action as necessary)
10/15/2015 (Thu)	<b>Library JPA Meeting</b> – Receive information as to recruitment process for Library Director and future Executive Director of LFFA
10/20/2015 (Tue)	<b>County of Santa Cruz Board of Supervisors</b> - approve LFFA JPA MOU amendment(s) related to Public Library Improvements ( <i>October 27<sup>th</sup> as alternative</i> )
11/23/2015 (Mon)	Staff to finalize Resolution of Intention to Establish CFD, including Boundary Map and Rate and Method of Apportionment and Resolution of Intention to Incur Indebtedness due to Secretary
12/07/2015 (Mon)	<b>LFFA Meeting</b> – Consider Resolution of Intention, including Boundary Map and Rate and Method of Apportionment, consider Resolution to Incur Indebtedness
12/21/2015 (Mon)	Boundary Map must be recorded on or before this date
12/28/2015 (Mon)	Final Notices of Public Hearing delivered to Secretary
1/18/2016 (Mon)	Final Resolution of Formation, Resolution Calling the Election and Consolidation, Resolution Declaring the Necessity to Incur Indebtedness due to Secretary
1/25/2016 (Mon)	Notices of Public Hearing published on or prior to this date
2/01/2016 (Mon)	<b>LFFA Meeting</b> –Public Hearing, Consider Resolution of Formation, Resolution Declaring the Necessity to Incur Indebtedness and Resolution Calling the Election and Consolidation

**SANTA CRUZ COUNTY LIBRARY  
COMMUNITY FACILITIES DISTRICT**

**DRAFT FORMATION SCHEDULE**

3/10/2016 (Thu)	Last Day to Submit Resolution Calling the Election and Consolidation (which reflects exact form of ballot wording) to the County for the June 7, 2016 Election
3/23/2016 (Wed)	Last day to withdraw a measure from the ballot, Last day to submit primary ballot arguments
3/28/2016 (Mon)	Last day to submit rebuttal arguments
6/07/2016 (Tue)	Election Day
7/05/2016 (Tue)	Certified statement of results available
7/18/2016 (Mon)	Final Resolution Declaring Election Results due to Secretary
8/01/2016 (Mon)	<b>LFFA Meeting</b> –Consider Resolution Declaring Election Results and First Reading of CFD Ordinance
August 2, 2016 through August 16, 2016	Notice of Special Tax Lien recorded and direction provided to County Tax Collector (*actual final date to be confirmed by County)
9/05/2016 (Mon)	<b>LFFA Meeting</b> –Adopt CFD Ordinance, adopt Resolution Authorizing Bond Issuance



August 19, 2015

BOARD OF SUPERVISORS  
COUNTY OF SANTA CRUZ  
701 OCEAN STREET, ROOM 500  
SANTA CRUZ, CA 95060

SUBJECT: Library Facilities Financing Authority (LFFA) Update

As you may be aware, the Library Facilities Financing Authority (LFFA) met on August 6, 2015 to discuss a number of issues concerning the operation of the library system. In an effort to keep all stakeholders informed, we have prepared this letter to update you on these discussions and on the activities that are planned for the months ahead. The three main topics discussed were:

- (1) The timing of a possible ballot measure to address facility issues, including a desired June 2016 election timeline;
- (2) Governance changes; and
- (3) Director recruitment.

**June 2016 election timing and meeting schedule.** The LFFA, after careful consideration, believes it is still a top priority to target the June 7, 2016 Presidential Primary for a Library facilities financing ballot measure. A consideration for a June 2016 election was the considerable competition and congestion that is likely to be on the November 2016 ballot and the higher costs associated with conducting an off-cycle, special election. We recognize there are many challenges which will need to be overcome to address the compressed timeline that faces the LFFA and the Library JPA to reach a successful ballot measure.

In order to address the work at hand, the LFFA has set the following meetings:

Date	Potential primary focus	Time	Location
Aug 27 (Thur)	Tax rate study session	9am	Main branch meeting room
Sept 10 (Thur)	Final direction on tax rates and consideration of new poll content	9am	Main branch meeting room
Oct 1 (Thur)	Review poll results	9am	Main branch meeting room
Oct 15 (Thur)	Follow up	9am	Main branch meeting room

The LFFA welcomes participation at all of the meetings including the upcoming August 27<sup>th</sup> study session to help formulate potential tax rate structures and methods of applying tax rates. Given all the timing considerations, it is critical the LFFA provide direction by September 10<sup>th</sup> to allow for new polling and for completion of the comprehensive report on the rate and methodology of the tax apportionment.

**Polling.** The LFFA authorized that a new poll be conducted by approximately late September based on the outcomes of the August 27<sup>th</sup> and September 10<sup>th</sup> meetings. This poll and the associated funding was already contemplated and included in the FY2016 Library (SCPL) budget.

**Governance.** To meet this timeline, the associated member agencies will soon be asked to consider final amendments to the SCPL JPA to establish the new board structure and funding arrangements along with other related amendments. We would hope to conclude this multi-agency approval process in September. You recall, each agency was previously provided a working draft which is now being finalized to incorporate the proposed amendments incorporating comments from member agencies.

In addition, the LFFA's JPA will also require amendment by each of the jurisdictional entities to reflect the bond allocation amounts that will be finalized in the coming month.

**Recruitment of SCPL Director.** During the LFFA's update on the status of the SCPL Library Director's recruitment, it was agreed that the Interim Library Director (or LFFA Executive Director) would (1) engage with a recruiter to start the Director's recruitment as soon as feasible and (2) contact the prior Library Director recruiter (June Garcia) about leading the current vacancy to expedite a recruitment or arrange for another recruiter as if appropriate. This process and funding was already contemplated and included in the FY2016 SCPL budget.

**Overview of Library JPA and new LFFA.** The newly created LFFA will develop a recommendation for a ballot measure for considerations by the Board of Supervisors and City Councils that, if approved, would then have the LFFA collect and remit to member agencies the funding to implement their respective portions of the SCPL Facilities Master Plan.

As you know, one of the current proposed amendments to the SCPL JPA would modify the SCPL board to match the current LFFA board. As such, the current board members of the SCPL are anticipating that their last meeting will be on October 15, 2015. After that date, the new board would be seated as the SCPL.

In closing, we want to thank you for your active participation that has brought us closer to a brighter future for our Library system. We welcome your participation and that of our community during our upcoming discussions as we all move ahead together.

Sincerely,



Susan Mauriello, Chair



Jamie Goldstein, Member



Martin Bernal, Member



Steve Andó, Member

LIBRARY FACILITIES FINANCING AUTHORITY