



LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)
JOINT POWERS AUTHORITY BOARD

Wednesday September 9, 2015
Governmental Center Building
701 Ocean Street, Room 525, Santa Cruz, CA 95060

3:00 p.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 September 9, 2015
3. ORAL COMMUNICATIONS
4. EXECUTIVE DIRECTOR REPORT
5. CONSENT AGENDA
 - A. Approve Minutes of August 27, 2015 meeting (pg 2)
6. STAFF REPORTS
 - A. Direction for Rate and Apportionment (pg 7)
 - B. Direction for LFFA JPA agreement amendment #01 to Section 2 for bond proceeds distribution to member agencies (pg 15)
7. WRITTEN COMMUNICATION
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 Libraries Facilities Financing Authority Joint Powers Authority Board will adjourn from the regular meeting of September 9, 2015 to its next regular meeting of September 10, 2015 at the Library Downtown Branch Meeting Room at 9:00 am (224 Church Street, Santa Cruz, CA 95060).

The Santa Cruz County Libraries 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.

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

STUDY SESSION

August 27, 2015

9:00 AM PUBLIC MEETING

1. ROLL CALL

Director Steve Ando; Director Scott Collins (Alternate for Director Martin Bernal);
Director Jamie Goldstein; Director Susan Mauriello

Staff: Interim Executive Director Marcus Pimentel

2. APPROVAL OF MEETING AGENDA OF AUGUST 27, 2015

Agenda of August 27, 2015 was approved by consensus.

3. ORAL COMMUNICATIONS

Mike Termini, Chair of the current LJPB, expressed the Library Joint Powers Board's concern regarding the urgent need to finalize the Governance. He encouraged the LFFA to move forward with utmost urgency and adherence to a reasonable timeline.

4. EXECUTIVE DIRECTOR REPORT

Interim Executive Director Pimentel explained that additional changes had been made to the Staff Report, which are reflected in the handout the Board received.

5. CONSENT AGENDA

- A. Approve Minutes of August 6, 2015. Director Mauriello suggested to change the format of the minutes to action minutes only in order to simplify the process, since the audio of the LFFA meeting is available online at the Library's website. Director Goldstein expressed preference for detailed minutes until a video upload can be provided. The Board agreed to continue with the present format for the time being.

Director Goldstein moved, seconded by Director Collins

That the Board approve the following Consent Agenda of August 27, 2015

A. Approve Minutes of August 6, 2015

UNAN

6. STAFF REPORTS

A. Rate and Apportionment Study Session

Interim Executive Director Pimentel introduced Tim Seufert from NBS. Mr. Seufert gave a Power Point presentation on Community Facilities Districts (CFD). The definition of a CFD is essentially a designer tax: it is flexible, tailored to the needs of the community, and very useful for libraries but it needs a 2/3 vote. He explained how a CFD is formed; what it can fund or finance, what determines the annual levy and how long a CFD can last.

Tim Seufert explained that there is ultimate flexibility in creating the CFD. A RMA (Rate and Model of Apportionment) needs to be created. Maximum special tax, escalation factor, payoff methodology, discounts or exemptions and appeal process are all factors in the creation of the formula.

The Santa Cruz community consists of mostly single family residential parcels. In regards to commercial parcels small, medium, and large is a good way to go since they are based on their parcel footprint. This information is readily available from the Assessor's office. Of course there is an appeal process, if discrepancies are discovered.

In regards to capping ownership bond security, equity and administration are important factors. This is more complicated but doable. An Assessment District is not an option.

The Board members discussed the information received and asked numerous questions. Director Goldstein asked about exemptions for agriculture. It is common to give agriculture a low rate (for 5 acres or less).

Director Mauriello commented on commercial condos as well as residential use of commercial property; residential properties that are being used for other means (for ex. storage etc.). The question arises how the fees will be determined in this model. The data may need to be refined. It was discussed that an interpretation/appeals procedure would be written into the RMA.

Tim Seufert explained that churches, public schools, parks, federal property are generally exempt.

Director Mauriello commented that the size of some parcels will create some inequities. Many single businesses are located on multiple parcels. In addition, there might be small businesses on large parcels that would pay more under this model than large businesses on smaller parcels; such as those cases when a single business might reside on legacy separate parcels. In those cases an appeals process or a square footage process will eliminate potential problems. It was discussed that a square footage charge on top of a base parcel charge may help alleviate these situations.

For agricultural, it was discussed that small, medium and large determination with a nominal fee or broader acreage designations may be acceptable. Agriculture is only 0.7% of the entire parcel/unit count so it has very little impact on the total.

Director Goldstein agreed that small, medium and large is the correct way to go.

It was further discussed that categories need to be established for the wide variety of uses in the community. A mathematical correlation should be run between square footage and acreage to get a clear picture.

The concerns are that the size of the parcel bears little relation to the use of the parcel as a whole. There are 3 considerations: "Mom & Pop" stores, established commercial users, and a variety of users that do not fall into any established category. A square footage based model could resolve these variations.

Director Mauriello commented that the County data should be separate from the cities' data to determine commercial and agricultural breaks and then a blended rate should be determined for the entire LFFA boundary.

Interim Executive Director Pimentel directed the Board back to the initial Tax Apportionment Model. It included a residential two-tier rate with all single family residential parcels and each unit on a multi-family parcel at tax rate factors of 1 and 0.7 respectively; a commercial four-tier parcel structure with 0-acre to ½-acre; ½-acre to 1-acre; 1-acre to 5-acres; and greater than 5-acres parcels at tax rate factors of 1, 2, 5 and 10 respectively; and an agricultural four-tier parcel rate structure with those with

a single family residence; those others up to 5-acres; 5-acres to 40-acres; and greater than 40-acres at tax rate factors of 1, 2, 5 and 10 respectively. Vacant parcels were exempted and it would be confirmed that churches, public schools, parks, federal property were also exempted. It was discussed that these models are flexible and can be customized in terms of commercial structures, agricultural structures, other tax rate factor alternatives, establishment of maximum caps and any other customized categories.

Director Goldstein suggested a possible model that created a commercial small, medium and large rate structure that took into account building square footage to reduce rates from higher categories; that decreased the agricultural rates for the larger tiers and created sub-tiers for multifamily parcels to apply a lower per unit rate for parcels with larger unit counts.

Public comment: A member of the public expressed his opinions on the different categories discussed in the study session.

7. WRITTEN COMMUNICATION

A. Letter from LFFA to Library JPA members.

The letter was sent to the Library Joint Powers Board, to the various jurisdictions, the City Councils and the Boards to keep them updated.

Public comment: Martha Dexter, Vice Chair of the LJPB, thanked the LFFA for the letter. She expressed that the LJPB is concerned about the possibility of slippage in the schedule especially with relation to the Governance. She emphasized the critical nature of the timeline and urged the Board to stay the course to get the Governance model in place in order to meet the deadline for the June 2016 election.

Interim Executive Director Pimentel gave an update on the new Library Director recruitment: HR Director Lisa Murphy will start to work with the recruiter, June Garcia, on the development of a timeline.

8. BOARD MEETING CALENDAR

Gene Bregman discussed the tentative polling schedule. It was suggested that the Library JPA Board Chair should convene an ad-hoc working group that may consist of Cynthia Mathews, Mike Termini and other board members and representatives from the County of Santa Cruz and City of Santa Cruz to assist Gene Bregman with the creation of questions for the upcoming poll. Interim Executive Director Pimentel is going to coordinate this.

Another study session shall be scheduled for September 9, 2015 at 3:00pm at the County Governmental Center.

9. NEXT MEETING

The Library Facilities Financing Authority Joint Powers Authority Board (LFFA JPB) adjourned the Study Session of Thursday, August 27, 2015 to the next regular meeting on Wednesday, September 9, 2015 at 3:00pm at the County Administrator's Conference Room.

8. ADJOURN

The regular meeting adjourned at 10:50am.

Respectfully submitted,

Helga Smith, Secretary of the Board

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

STAFF REPORT

AGENDA: September 9, 2015 - September 10, 2015

DATE: September 3, 2015

TO: Library Facilities Financing Authority (LFFA) Board of Directors

FROM: Marcus Pimentel, Interim Executive Director

SUBJECT: Item 6.a.- Direction for Rate & Apportionment

RECOMMENDATION

That the Board provides direction to staff for the rate and apportionment factors to use within the Communities Facility District (CFD) special tax modeling to be brought back for final determination on December 7, 2015.

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 CFD's boundary would match the boundary of the SCPL, which includes the entire county except for the City of Watsonville.

To stay within the timeline required to conduct polling, form a CFD and put forth a June 2016 ballot measure, the LFFA must expedite the creation of near complete rate and apportionment factors to levy a tax on parcels within its boundary. NBS was contracted for 2013 by the SCPL to support the County and City administrators subcommittee in the CFD rate and apportionment evaluation, using County Assessor use-code. The LFFA held a study session on August 27, 2015 to evaluate changes to the base, preliminary rate model. NBS will use the direction provided to develop the Rate and Apportionment Method report to bring back to the LFFA for final review and consideration on December 7, 2015.

DISCUSSION

Based on study session comments, the model rate structure was changed as follows:

- 1) Agriculture.
 - a. Consolidated farms up to 5-acres with farms that contain the owner's residence at the 1.0 factor (targeting small, family owned farms).
 - b. Increased next tier upper ranges from 40 acres to 80 acres and lowering factor from 5 and 10 to 2 and 5 respectively
- 2) Commercial.
 - a. Add residential override so that any homeowners with their house on a commercial property would be treated as a single family residential rate
 - b. Add a square footage calculation to tie any parcels with a disproportional total building square footage as compared to their parcel to a lower rate factor. This

calculation criteria was not available as of the date of this report but will be provided prior to the board meeting.

- 3) Multi-family parcels. Modified to expand from 1 to 3 sub-categories whereas each next tier of apartments is assessed at a lower rate than their prior number of units.
 - a. First 2 - 40 units [0.7 factor]
 - b. Over 41units [0.5 factor]

Note that for simplicity, for parcels with 5 or more units, the rate would be calculated based on the use code category and not the actual count of units. Currently, those categories are: [5-10]; [11-20]; [21-40]; [41-60]; [61-100]; and 101 or more units. Furthermore, since the actual unit counts are not easily accessible, parcels in those ranges would be calculated using the lowest range factor (i.e., 5, 11, 21, 41, 61 or 101). By default, this action creates a cap of a no more than 101 units would be used in the tax calculation.

For example, if a parcel had 7 units and if the tax rate per EDU was a flat \$50, it would be calculated as follows. The 7 units would put it in the [5-10] use code category and the tax would be: (5 units) * (0.7 factor) * (\$50 tax rate) or \$175 annually.

As another example, if a parcel had 37 units and if the tax rate per EDU was a flat \$50, it would be calculated as follows. The 37 units would put it in the [21-40] use code category and the tax would be: (21 units) * (0.7 factor) * (\$50 tax rate) or \$735 annually.

Under this example, if another parcel had 67 units and was coded within the [61-100] lower factored use code category, it would have a two level calculation of:

- First 40 units: (40 units) * (0.7 factor) * (\$50 tax rate) or \$1,400
- The [61-100] use code: (61 units – 40 units =21units) * (0.5 factor) * (\$50 tax rate) or an additional \$525
- For an annual total of \$1,925.

In addition to the changes noted, there is confirmation that the initial model provided exemptions for vacant land in addition to churches, public schools, government, and other similar use codes generally excluded from taxation (private roads, burial grounds, utilities, etc.)

As was noted previously, 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 exempt parcels make up an estimated 3.5%, 0.7% and 7.6% of the total parcels/units respectively.

The table below summarizes the new, revised model that will be presented for discussion and final direction that includes a refresh of data from the County of Santa Cruz.

Apportionment Categories & range of units or parcel size	Tax basis	Tax factor	Percent of parcel / unit total	Sample tax rate per basis \$ 59	Sample tax rate per basis \$ 49
Residential					
Single family parcel		Each Parcel	1	<i>To be provided</i>	\$ 59 \$ 49
Multi-family	2 – 40 units	Each Unit	0.7	<i>To be provided</i>	\$ 41.3 \$ 34.3
Multi-family	Over 41 units	Each Unit	0.5	<i>To be provided</i>	\$ 29.5 \$ 24.5
Business- Commercial, Industrial, Recreation, Retail and other like					
Limited parcel size; or * parcel with owner residence; or * parcels with total building square footage below a threshold	Up to ½-Acre *	Each Parcel	1	<i>To be provided</i>	\$ 59 \$ 49
Limited parcel size	½ - 1 Acre	Each Parcel	2	<i>To be provided</i>	\$ 118 \$ 98
Limited parcel size	1 - 5 Acres	Each Parcel	5	<i>To be provided</i>	\$ 295 \$ 245
Limited parcel size	Over 5 Acres	Each Parcel	10	<i>To be provided</i>	\$ 590 \$ 490
Agricultural					
Limited parcel size; or * parcel with owner residence	Up to 5-Acres *	Each Parcel	1	<i>To be provided</i>	\$ 59 \$ 49
Limited parcel size	5 - 80 Acres	Each Parcel	2	<i>To be provided</i>	\$ 118 \$ 98
Limited parcel size	Over 80 Acres	Each Parcel	5	<i>To be provided</i>	\$ 295 \$ 245

Once final direction is provided, this proposed rate and apportionment structure will be developed into the initial Rate and Method of Apportionment report that is scheduled for consideration on December 7, 2015. This model is intended to support between a \$60-million and \$70-million project scope. Information obtained from the polling data will help determine the final rates and sizing of the RMA, ballot measure and subsequent bond issuance.

Finally, the ultimate amount and rates may vary from this revised model depending on bond interest rate fluctuations, bond coverage requirements, upheld appeals that reduce a parcel's tax rate to a lower tier, and/or any adjustments to current parcel use code data.

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

ATTACHMENTS:

CFD Rate and Method of Apportionment draft, conceptual outline

Summary of CFD apportionment considerations (from 8/27/15 LFFA report)

Attachment Placeholder



SANTA CRUZ
PUBLIC LIBRARIES

Library Facilities
Financing Authority JPA

Attachment Placeholder



SANTA CRUZ
PUBLIC LIBRARIES

Library Facilities
Financing Authority JPA

CFD Apportionment Considerations

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 special tax 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	Exemptions already include vacant land, churches, public schools, government, and other similar use codes generally excluded from taxation (private roads, burial grounds, utilities, etc.)

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



STAFF REPORT

AGENDA: September 9, 2015 - September 10, 2015

DATE: September 3, 2015

TO: Library Facilities Financing Authority (LFFA) Board of Directors

FROM: Marcus Pimentel, Interim Executive Director

SUBJECT: Item 6.b.- Direction for LFFA JPA amendment #01 to Section 2 for bond proceeds distribution to member agencies Section 2

RECOMMENDATION

That the Board provides direction to staff for amendments to the LFFA JPA for Section 2 for bond proceeds distribution to member agencies.

BACKGROUND

The Santa Cruz Public Library JPA (SCPL) formed the LFFA and executed the related agreement (JPA) on December 18, 2014. Among other items, it provides for the ultimate allocation of bond proceeds to member agencies for public library improvements as identified in the Facilities Master Plan. The original JPA contained placeholder language to be amended at a later date to define the allocation amounts.

The member agencies have discussed various allocation scenarios since 2013. It is necessary to finalize the allocation amounts prior to conducting polling later this month, and ultimately prior to finalizing the Rate and Method of Apportionment report on December 7, 2015, the ultimate allocation amounts have to be determined. Once the amounts are determined by the LFFA, each member agency must then approve this 1st amendment to the LFFA JPA.

DISCUSSION

A status update or the recommended model will be presented to the Board by County staff and/or by other member agency representatives. No recommendation was available at the time of this report.

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

ATTACHMENTS:
None