



LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)
JOINT POWERS AUTHORITY BOARD

Thursday September 10, 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 September 10, 2015
3. ORAL COMMUNICATIONS
4. EXECUTIVE DIRECTOR REPORT
5. CONSENT AGENDA
6. STAFF REPORTS
 - A. Direction for Rate and Apportionment (pg 2)
 - B. Direction for LFFA JPA agreement amendment #01 to Section 2 for bond proceeds distribution to member agencies (pg 10)
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 10, 2015 to its next regular meeting of October 15, 2015 tentatively scheduled 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.



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 41 units [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:

Marcus Pimentel

Interim Executive Director

Approved by:

Marcus Pimentel

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