

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Martin Bernal
Board Member Tina Friend



**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)**

REGULAR BOARD MEETING

THURSDAY DECEMBER 5, 2019

9:00 A.M.

DOWNTOWN BRANCH LIBRARY

224 CHURCH STREET, SANTA CRUZ, CA 95060

1. CALL TO ORDER / ROLL CALL

Board Members Jamie Goldstein, Carlos Palacios, Martin Bernal and Tina Friend

2. ADDITIONAL MATERIALS

Additional information submitted after distribution of the agenda packet.

3. ADDITIONS AND DELETIONS TO AGENDA

4. ORAL COMMUNICATION

Any member of the audience may address the Board on any matter either on or off the agenda that is within the Board's jurisdiction. Note, however, that the Board is not able to undertake extended discussion or act on non-agendized items. Such items can be referred to staff for appropriate action which may include placement on a future agenda. If you intend to address a subject that is on the Agenda, please hold your comments regarding that item until it is before the Board, so that we may properly respond to all comments on that subject at the same time. In general 3 minutes will be permitted per speaker during Oral Communication; A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

5. EXECUTIVE DIRECTOR REPORT

- A. Director's Report for December (PG.4-5)

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

7. CONSENT CALENDAR

- A. Approve Minutes of the October 3, 2019 Board Meeting
RECOMMENDED ACTION: Approve Minutes (PG.6-7)
- B. Community Facilities District No. 2016-1 Amended FY 2018/19 Revised Annual Report
Updated September 2019
RECOMMENDED ACTION: Accept Report (PG.8-24)
- C. Senate Bill 165 Filing
RECOMMENDED ACTION: Accept and file Report (PG.25-26)
- D. Basic Financial Statements and Independent Auditor's Report FY ended June 30, 2019
RECOMMENDED ACTION: Accept and file Report (PG.27-58)

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes on the action unless members of the public or the Board request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Business.

8. GENERAL BUSINESS

- A. Determine Annual Meeting Schedule
RECOMMENDED ACTION: Accept Annual Meeting Schedule for 2020 (PG.59-60)
- B. Plan for 2nd Bond Issuance (Suzanne Harrell)
RECOMMENDED ACTION: Review and Discuss Plan for 2nd Bond Issuance

Other Business items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each Business item: 1) Staff explanation; 2) Board questions; 3) Public comment; 4) Board deliberation; 5) Decision.

9. SCHEDULED UPCOMING MEETINGS

January 9, 2020	Downtown Branch Library	Upcoming Agenda Items
	224 Church Street Santa Cruz, CA 95060	Elect Chair and Vice-Chair for 2020 2nd Bond Issuance Approval

10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday January 9, 2020 at 9:00 a.m. at the Downtown Branch Library, located at 224 Church Street, Santa Cruz, CA 95060.

The Santa Cruz City-County Library System 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 (831)427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

December 2019

Library Director's Report to the LFFA

Aptos

Criteria documents are currently being finalized for approval by the Board of Supervisors in January 2020. A community meeting will be held on December 12, 2019 to present the preferred option. A design build firm will be selected in the spring of 2020 with construction beginning in early 2021.

Boulder Creek

Project plans are being reviewed and finalized. Construction is planned to begin in March 2020 with a Grand Opening in October 2020.

Branciforte

Jayson Architecture will be presenting to City Council on their designs for Branciforte and Garfield Park on December 10, 2019. Jayson Architecture created several options for both branches at different levels and costs. Approximately three dozen members of the Branciforte community gathered in a local supporter's home on November 15th to brainstorm on fundraising ideas to support Branciforte's development beyond the current funding available. A similar group is forming in the Garfield Park area to support their branch.

Capitola

Exterior walls are completed. Roof trusses have been installed and roofing is being installed. Currently, the project is working on cost estimates for undergrounding the power lines. Grand Opening is still expected in summer of 2020.

Downtown

Jayson Architecture created a cost estimate model for an option that would include the partial demolition of the Downtown Library and then a reconstruction/remodel of the remaining building. They will present their final report, including conceptual designs on December 13, 2019. A separate scope of work is being developed to pursue a study that would help answer the question: What level or type of library could the City attain through a mixed-use project with its budget? The goal is to compare the cost modeling for the Downtown proposal with the mixed-use estimate.

Felton

Felton is nearing completion with a Grand Opening scheduled for January 25, 2020. The contractor is working on the final elements including interior finishes and landscape plantings.

Garfield

As noted above, Jayson Architecture will be presenting to City Council on their designs for Branciforte and Garfield Park on December 10, 2019. Jayson Architecture created several options for both branches at different levels and costs. Supporters in the Garfield Park neighborhood are working to raise funds to further support the planned renovation at the Garfield Park Branch Library.

La Selva Beach

Construction on the branch will begin in early January 2020. Bidding efforts were successful with six total bids. Approval to award the contract will be going to the Board of Supervisors on December 10, 2019. Grand Opening is expected in summer 2020.

Live Oak

Construction documents are currently being developed. Construction will begin in the fall of 2020.

Live Oak Annex

Staff continues to work with consultants on a revised proposal. A recommendation will be brought to the Board of Supervisors on December 10, 2019 with a request to amend the architects contract to allow the completion of construction documents. Construction is expected to begin in early 2021.

Scotts Valley

Library staff met with Kimi Owen and City staff and created a master list of issues. Roof repairs will take place first and begin this winter. The following major upgrades will be addressed throughout 2020. Currently, there is a review being conducted to bring an architect under contract to explore those remaining upgrades.

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Martin Bernal
Board Member Tina Friend



**SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)**

**REGULAR MEETING MINUTES
THURSDAY OCTOBER 3, 2019
6:00 P.M.**

1. ROLL CALL

PRESENT: Carlos Palacios, Jamie Goldstein, Tina Friend and Laura Schmidt
(Alternate for Martin Bernal)

STAFF: Library Director Susan Nemitz, Assistant Director Eric Howard, Edith Driscoll,
Treasurer-Controller

2. ADDITIONAL MATERIALS

None

3. ADDITIONS AND DELETIONS TO AGENDA

The Agenda of October 3, 2019 was approved by consensus.

4. ORAL COMMUNICATIONS

None

5. EXECUTIVE DIRECTOR REPORT

A. Library Director's Report – October 2019

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

Tina Friend reported that the City of Scotts Valley is addressing the roof repair and winterizing of the SV Branch Library. The City of SV is working on a short term lease with the Theater Guild for the space adjacent to the library (the former skating rink) in collaboration with the Library.

Jamie Goldstein reported that Capitola is still working on the issue with the utility lines at the new Branch Library.

7. CONSENT CALENDAR

RESULT:	APPROVED CONSENT CALENDAR A. Approved Minutes of August 1, 2019 [UNANIMOUS]
MOVER:	Tina Friend
SECONDER:	Jamie Goldstein
AYES:	Palacios, Friend, Goldstein, Schmidt (Alternate)

8. GENERAL BUSINESS

A. Activity and Account Balances on Bond Funds as of August 31, 2019

RESULT:	ACCEPTED AND FILED FINANCIAL STATEMENT ON BOND FUNDS [UNANIMOUS]
MOVER:	Laura Schmidt
SECONDER:	Tina Friend
AYES:	Palacios, Friend, Goldstein, Schmidt (Alternate)

9. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 6:08 p.m. to the Regular Meeting on Thursday December 5, 2019 at 9:00 a.m. at the Downtown Branch Library, located at 224 Church Street, Santa Cruz, CA 95060.

ATTEST: _____
Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Santa Cruz Public Libraries – Library Headquarters Office, 117 Union Street, Santa Cruz.

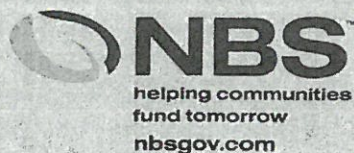
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

Amended Fiscal Year 2018/19 Annual Report For:

Community Facilities District No. 2016-1

Updated September 2019

Prepared by:



Corporate Headquarters
32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Toll free: 800.676.7516

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1. DISTRICT ANALYSIS

1.1 District

Community Facilities District No. 2016-1 (the "CFD") was approved by voters in the June 2016 regular election and was established to provide funding for library facilities in the County of Santa Cruz, including but not limited to, Aptos, Boulder Creek, Branciforte, Capitola, Downtown Santa Cruz, Felton, Garfield Park, La Selva Beach, Live Oak and Scotts Valley, but excluding library facilities in the City of Watsonville. The improvements funded by the CFD may include new construction and building renovations and service model upgrades needed to provide service desks, an area for displaying materials, separate areas for teens and children, flexible spaces and/or meeting rooms and study rooms, places to display art, new flooring, paint, shelving, furniture and technology, power/data to support library technology, and other upgrades (the "Facilities").

The Facilities will also include, without limitation, the attributable costs of engineering, design, planning, materials testing, coordination, construction staking, and construction, together with the expenses related to issuance and sale of any "debt", as defined in Section 53317(d) of the Act, including underwriters' discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, financial advisor, bond and official statement printing, administrative expenses of the Authority, the CFD and bond trustee or fiscal agent related to the CFD, and any such debt and all other incidental expenses. The Facilities shall be constructed or modified, upgraded or otherwise renovated, whether acquired in their completed states, pursuant to plans and specifications approved by the Parties to the Authority's Joint Exercise of Powers Agreement.

On June 15th, 2017, the Santa Cruz Libraries Facilities Financing Authority issued the 2017 Special Tax Bonds (the "Bonds"). The Bonds were issued to construct and/or improve library facilities located within the District. Proceeds were used to purchase a municipal bond debt service reserve insurance policy for the Bonds and pay costs related to the issuance of the Bonds.

The Bonds are scheduled to mature with the September 1, 2045 debt service payment.

1.2 Levy

The CFD's Fiscal Year 2018/19 annual special tax levy was \$4,474,542.00 and consisted of 69,577 parcels. Pursuant to the Rate and Method of Apportionment for the CFD, all taxable parcels were levied at 100% of their respective maximum annual special tax for Fiscal Year 2018/19.

NBS

Manuel Kauss, Financial Analyst

Sara Mares, Client Services Director

2. SENATE BILL 165

Senate Bill 165, filed with the Secretary of State on September 19, 2000, enacted the Local Agency Special Tax and Bond Accountability Act (the "Act"). The Act requires that any local special tax or local bond measure subject to voter approval contain a statement indicating the specific purposes of the special tax, require that the proceeds of the special tax be applied to those purposes, require the creation of an account into which the proceeds shall be deposited, and require an annual report containing specified information concerning the use of the proceeds. The Act only applies to any local special tax measure or local bond measure adopted on or after January 1, 2001 in accordance with Section 50075.1 or Section 53410 of the California Government Code.

Some of the requirements of the Act are handled at the formation of the special tax district and others are handled through annual reports. This section of this report intends to comply with Section 50075.3 or Section 53411 of the California Government Code that states:

"The chief fiscal officer of the issuing local agency shall file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain all the following:

- (a) The amount of funds collected and expended.
- (b) The status of any project required or authorized to be funded as identified in subdivision (a) of Section 50075.1 or Section 53410."

The requirements of the Act apply to the Funds of:

Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
District approved by voters on June 7, 2016

2.1 Purpose of Special Tax

Community Facilities District No. 2016-1 was established in 2016 to provide funds for library facilities in the County of Santa Cruz, including but not limited to Aptos, Boulder Creek, Branciforte, Capitola, Downtown Santa Cruz, Felton, Garfield Park, La Selva Beach, Live Oak and Scotts Valley, but excluding library facilities in the City of Watsonville. The improvements funded by the CFD may include new construction and building renovations and service model upgrades needed to provide service desks, an area for displaying materials, separate areas for teens and children, flexible spaces and/or meeting rooms and study rooms, places to display art, new flooring, paint, shelving, furniture and technology, power/data to support library technology, and other upgrades.

2.2 Collections & Expenditures

The requirements of the Act apply to the Improvement Fund for the following District:

Date of Issuance	Initial Amount Deposited to Improvement Funds	6/30/2019 Balance	Expended Amount	Project Status
6/15/2017	\$22,003,758.43	\$20,188,605.00	\$1,815,153.43	Ongoing

3. FINANCIAL STATUS

3.1 Special Tax Spread

Property Classification	Units Levied	Rate per Unit	Total Levied by Category ⁽¹⁾	Percentage of Maximum Levied
Agricultural	177	\$86.00	\$15,222.00	100%
Agricultural Residential	719	135.50	91,404.50	100%
Commercial	2,663	86.00	229,018.00	100%
Commercial Residential	408	135.50	45,308.00	100%
Multi-Family Residential	21,070	49.50	1,042,965.00	100%
Recreational	176	86.00	15,136.00	100%
Recreational Residential	0	135.50	0.00	100%
Single Family Residential	61,323	49.50	3,035,488.50	100%
Totals	86,536	N/A	\$4,474,542.00	100%

(1) For Fiscal Year 2018/19, units were levied at 100% of the Maximum Special Tax.

3.2 CFD Funds

3.2.1 SPECIAL TAX FUND

6/30/2018 Balance	9/1/2018 Payment	9/1/2018 Bond Call	Estimated Administrative Expenses ⁽¹⁾	Amount Credited to 2018/19 Levy	Surplus / (Deficit)
\$906,901.00	\$650,665.63	\$0.00	\$51,500.00	\$0.00	\$204,735.37

(1) Represents six months' worth of estimated administrative expenses. The starting amount of Administrative Expenses for the district for fiscal year 2017/18 is \$100,000, and shall increase by 3% commencing fiscal year 2018/19.

3.2.2 RESERVE FUND

Initial Proceeds	Reserve Fund Policy Limit ⁽¹⁾	IRS Size Limitation ⁽²⁾	Reserve Requirement ⁽³⁾
\$610,250.60	\$610,250.60	\$1,220,501.19	\$610,250.60

(1) An amount available to be drawn on the 2017 Reserve Policy, in lieu of a Reserve Fund.

(2) An amount not to exceed the lesser of (i) 10% of the initial principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of the average Annual Debt Service on the Bonds.

(3) An amount equal to fifty percent (50%) of the IRS Size Limitation.

3.2.3 VALUE TO DEBT RATIO

Total Value ⁽¹⁾	Debt Outstanding	Value to Debt Ratio
\$41,536,870,518.00	\$21,170,000.00	1,962.06:1

(1) Assessed value as of January 1, 2018 for all active parcels.

4. APPENDICES

Rate and Method of Apportionment

Final Budget for Fiscal Year 2018/19

Current Debt Service Schedule

EXHIBIT B

Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1

RATE AND METHOD OF APPORTIONMENT FOR
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the Santa Cruz Libraries Facilities Financing Authority's Community Facilities District No. 2016-1 ("CFD No. 2016-1") and collected each Fiscal Year commencing in Fiscal Year 2016/17, in an amount determined by the Board of Directors of the Santa Cruz Libraries Facilities Financing Authority or its designee, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2016-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. **DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2016-1; including, without limitation: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Authority or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with disclosure requirements under applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Authority, CFD No. 2016-1 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the Authority's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Authority or CFD No. 2016-1 for any other administrative purposes of CFD No. 2016-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Agricultural Property" means all Assessor's Parcels of Developed Property used for farming or agriculture. Typical County Use Codes include: 410, 411, 412, 420, 421, 422, 430, 431, 432, 450, 451, 452, 470, 480, and 490.

"Assessor's Data" means Acreage, Use Code, Building Square Footage, or other information regarding Assessor's Parcels contained in the records of the County Assessor.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Authority" means the Santa Cruz Libraries Facilities Financing Authority.

"Board" means the Board of Directors of the Authority, acting as the legislative body of CFD No. 2016-1.

"CFD Administrator" means an official of the Authority, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes.

"CFD No. 2016-1" means Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1.

"CFD No. 2016-1 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Authority for CFD No. 2016-1 under the Act.

"Commercial Property" means all Assessor's Parcels of Developed Property used for hotels, stores, shopping centers, offices, restaurants, banks, nurseries, manufacturing, warehousing, food/mineral processing and industry. Typical County Use Codes include: 070, 071, 072, 074, 080, 083, 085, 116, 120, 121, 122, 123, 131, 140, 150, 151, 152, 153, 160, 161, 170, 171, 172, 173, 180, 181, 182, 183, 184, 185, 190, 191, 192, 200, 201, 202, 210, 211, 220, 221, 222, 223, 230, 231, 232, 250, 251, 260, 261, 262, 310, 320, 321, 322, 323, 330, 331, 340, 341, 342, 343, 344, 345, 350, 351, 352, 353, 354, 360, and 361.

"County" means the County of Santa Cruz.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use which are not vacant. Agricultural property used for farming is considered Developed Property even if there is no structure on the property.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Homeowner's Exemption" means the \$7,000 assessed value exemption granted for Assessor's Parcels owned and occupied by an owner as their principal residence.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2016-1 Bonds are issued, as modified, amended and/or supplemented from time to time.

"Maximum Special Tax" means the Maximum Special Tax determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Multi Family Residential Property" means all Assessor's Parcels of Developed Property with one or more residential structures intended for more than one dwelling unit. Multi Family Residential also includes mobile homes, condos and townhomes. Typical County Use Codes include: 021, 025, 027, 030, 032, 033, 034, 041, 042, 043, 044, 045, 046, 100, 101, 103, and 104.

"Outstanding Bonds" means all CFD No. 2016-1 Bonds which are outstanding under an Indenture.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property respectively. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section C below.

"Public Property" means property within the boundaries of CFD No. 2016-1 owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public right-of-way has been granted to the federal government, the State, the County, the Authority, or any local government or

other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified as Taxable Property, taxed, and classified according to its use.

"Recreational Property" means all Assessor's Parcels of Developed Property used for amusements, sports activities, clubs, camps and conference facilities. Typical County Use Codes include: 600, 601, 602, 603, 610, 611, 612, 613, 614, 615, 620, 621, 622, 631, and 633.

"Single Family Residential Property" means all Assessor's Parcels of Developed Property with a residential structure intended for a single dwelling unit. Typical County Use Codes include: 016, 020, 023, 024, 026, 028, 029, 031, 060, 061, 062, 063, 064, 065, 067, and 068.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 2016-1 to fund the Special Tax Requirement.

"Special Tax Requirement " means that amount required in any Fiscal Year for CFD No. 2016-1 to: (i) pay debt service on all Outstanding Bonds which is due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2016-1 Bonds, including but not limited to, rebate payments on the CFD No. 2016-1 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 2016-1 facilities eligible to be funded by CFD No. 2016-1 under the Act; (vi) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; (vii) pay for the accumulation of funds reasonably required for future debt service; (viii) pay lease payments for existing or future facilities; (ix) pay costs associated with the release of funds from an escrow account; less (x) a credit for funds available, if any, to reduce the annual Special Tax levy, as determined by the CFD Administrator.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2016-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Taxable Public Property. Typical County Use Codes include: 010, 011, 015, 040, 050, 051, 052, 053, 054, 055, 056, 057, 058, 059, 05A, 05B, 05C, 05D, 05E, 05F, 05G, 05H, 090, 091, 092, 093, 110, 115, 116, 300, 301, 500, 501, 505, 510, 511, 515, 520, 521, 525, 530, 531, 535, 540, 541, and 545.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 2016-1 shall be classified as Developed Property, Taxable Public Property, or Undeveloped Property, and all Assessor's Parcels of Developed Property and Taxable Public Property shall be assigned to a Property Type in accordance with Table 1 below and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX

a. Developed Property and Taxable Public Property

(1). Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor's Parcel is shown in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property
in CFD No. 2016-1 in any Fiscal Year**

Property Type	Per	Maximum Special Tax
Single Family Residential	Unit	\$49.50
Multi Family Residential	Unit	49.50
Agricultural	Parcel	86.00
Commercial	Parcel	86.00
Recreational	Parcel	86.00

(2). Multiple Property Types

In some instances, an Assessor's Parcel of Developed Property may contain more than one property type/use. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all property uses located on that Assessor's Parcel.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2016/17 and for each following Fiscal Year, the Board or its designee shall determine the Special Tax Requirement and shall levy the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

Step 1: The Special Tax shall be levied on each Assessor's Parcel of Developed Property, Proportionately, up to 100% of the Maximum Special Tax to satisfy the Special Tax Requirement.

Notwithstanding the above the Board may, in any Fiscal year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the Board is no longer required to levy the Special Tax at 100% in order to meet the Special Tax Requirement, and (ii) all authorized CFD No. 2016-1 Bonds have already been issued or the Board has covenanted that it will not issue any additional CFD No. 2016-1 Bonds (except refunding Bonds) to be supported by the Special Tax.

Further, notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2016-1.

E. EXEMPTIONS

No Special Tax shall be levied on Public Property and Undeveloped Property. However, should an Assessor's Parcel no longer be classified as Public Property or Undeveloped Property its tax-exempt status will be revoked. In the case of Public Property and pursuant to Section 53317.3 of the Act, if property not otherwise exempt from the Special Tax levied pursuant to this chapter is acquired by a public entity through a negotiated transaction, or by gift or devise, the special tax shall, notwithstanding Section 53340, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property. However, the public agency that acquires the property may prepay and satisfy the obligation to pay the tax pursuant to Section H below.

Taxable Public Property shall be subject to the levy of the Special Tax, assigned to a Property Type in accordance with the use of the property, and shall be taxed Proportionately as part of the first step in Section D above, at up to 100% of the applicable Maximum Special Tax.

F. APPEALS AND INTERPRETATIONS

Any property owner may file a written appeal of the Special Tax with the CFD Administrator claiming that the amount or application of the Special Tax is not correct. The appeal must be filed not later than the June 30th of the Fiscal Year in which the Special Tax is due and the appellant must be current in all payments of Special Taxes. In addition, during the term of the appeal process, all Special Taxes levied must be paid on or before the payment date established when the levy was made.

The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination.

If the property owner disagrees with the CFD Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be final and binding on all interested parties. If the decision of the CFD Administrator or subsequent decision by the Board requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for prior years' Special Taxes, but an adjustment shall be made to credit future Special Tax levy (ies).

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2016-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"CFD Public Facilities" means either \$78,100,000 in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2016-1 under the authorized bonding program for CFD No. 2016-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more CFD No. 2016-1 Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible to be funded by CFD No. 2016-1 under the Act.

"Construction Inflation Index" means the annual percentage change in the April to April Engineering News-Record Building Cost Index for San Francisco, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the April to April Engineering News-Record Building Cost Index for San Francisco.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 2016-1 Bonds that have been issued by CFD No. 2016-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property or Undeveloped Property for which a Final Subdivision has been recorded prior to January 1 of the prior Fiscal Year, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a fee for providing this service. Prepayment in any six month period must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2016-1 Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount	
	plus	Redemption Premium
	plus	Future Facilities Amount
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	<u>less</u>	<u>Reserve Fund Credit</u>
Total:	equals	Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount (defined below) shall be calculated by the CFD Administrator as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax applicable for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 2016-1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid, and
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Add the amounts computed pursuant to paragraphs 8 and 9 to determine the "Defeasance Amount".
11. Verify the administrative fees and expenses of CFD No. 2016-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No.2016-1 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.
13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10 and 11, less the amount computed pursuant to paragraph 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 10 and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2016-1.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2016-1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2016-1 Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 2016-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding CFD No. 2016-1 Bonds.

2. Prepayment in Part

The Special Tax may be partially prepaid, provided that a partial prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of partial prepayment. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated by the CFD Administrator according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Special Tax Prepayment Amount calculated according to Section H.1

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The Special Tax partial prepayment amount must be sufficient to redeem at least a \$5,000 increment of Bonds.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the prepayment funds remitted according to Section H.1, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed 30 years commencing with Fiscal Year 2016/17.

**Santa Cruz Public Libraries
Community Facilities District No. 2016-1
Final Budget for Fiscal Year 2018/19**

Category/Item	FY 2018/19	FY 2017/18	Increase/(Decrease)
Special Tax Levy	\$4,474,542.00	\$4,452,543.50	\$21,998.50
Total:	\$4,474,542.00	\$4,452,543.50	\$21,998.50
Total Accounts:	89,213	90,416	(1,203)

Santa Cruz Public Libraries
CFD No. 2016-1 2017 Special Tax Bonds
Current Debt Service Schedule

Bonds Dated: 06/15/2017
 Bonds Issued: \$21,170,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Premium	Status
03/01/2018		.0000%	\$21,170,000.00	\$0.00	\$569,835.56	\$569,835.56	\$0.00	0.0000%	Paid
09/01/2018	80175LAA2	5.0000	21,170,000.00	250,000.00	400,665.63	650,665.63	1,220,501.19	0.0000	Paid
03/01/2019		0.0000	20,920,000.00	.00	394,415.63	394,415.63	.00	0.0000	Paid
09/01/2019	80175LAB0	5.0000	20,920,000.00	430,000.00	394,415.63	824,415.63	1,218,831.26	0.0000	Unpaid
03/01/2020		0.0000	20,490,000.00	.00	383,665.63	383,665.63	.00	0.0000	Unpaid
09/01/2020	80175LAC8	5.0000	20,490,000.00	450,000.00	383,665.63	833,665.63	1,217,331.26	0.0000	Unpaid
03/01/2021		0.0000	20,040,000.00	.00	372,415.63	372,415.63	.00	0.0000	Unpaid
09/01/2021	80175LAD6	5.0000	20,040,000.00	475,000.00	372,415.63	847,415.63	1,219,831.26	0.0000	Unpaid
03/01/2022		0.0000	19,565,000.00	.00	360,540.63	360,540.63	.00	0.0000	Unpaid
09/01/2022	80175LAE4	5.0000	19,565,000.00	495,000.00	360,540.63	855,540.63	1,216,081.26	0.0000	Unpaid
03/01/2023		0.0000	19,070,000.00	.00	348,165.63	348,165.63	.00	0.0000	Unpaid
09/01/2023	80175LAF1	5.0000	19,070,000.00	520,000.00	348,165.63	868,165.63	1,216,331.26	0.0000	Unpaid
03/01/2024		0.0000	18,550,000.00	.00	335,165.63	335,165.63	.00	0.0000	Unpaid
09/01/2024	80175LAG9	5.0000	18,550,000.00	545,000.00	335,165.63	880,165.63	1,215,331.26	0.0000	Unpaid
03/01/2025		0.0000	18,005,000.00	.00	321,540.63	321,540.63	.00	0.0000	Unpaid
09/01/2025	80175LAH7	5.0000	18,005,000.00	575,000.00	321,540.63	896,540.63	1,218,081.26	0.0000	Unpaid
03/01/2026		0.0000	17,430,000.00	.00	307,165.63	307,165.63	.00	0.0000	Unpaid
09/01/2026	80175LAJ3	5.0000	17,430,000.00	605,000.00	307,165.63	912,165.63	1,219,331.26	0.0000	Unpaid
03/01/2027		0.0000	16,825,000.00	.00	292,040.63	292,040.63	.00	0.0000	Unpaid
09/01/2027	80175LAK0	5.0000	16,825,000.00	635,000.00	292,040.63	927,040.63	1,219,081.26	0.0000	Unpaid
03/01/2028		0.0000	16,190,000.00	.00	276,165.63	276,165.63	.00	0.0000	Unpaid
09/01/2028	80175LAL8	4.0000	16,190,000.00	665,000.00	276,165.63	941,165.63	1,217,331.26	0.0000	Unpaid
03/01/2029		0.0000	15,525,000.00	.00	262,865.63	262,865.63	.00	0.0000	Unpaid
09/01/2029	80175LAM6	4.0000	15,525,000.00	690,000.00	262,865.63	952,865.63	1,215,731.26	0.0000	Unpaid
03/01/2030		0.0000	14,835,000.00	.00	249,065.63	249,065.63	.00	0.0000	Unpaid
09/01/2030	80175LAN4	4.0000	14,835,000.00	720,000.00	249,065.63	969,065.63	1,218,131.26	0.0000	Unpaid
03/01/2031		0.0000	14,115,000.00	.00	234,665.63	234,665.63	.00	0.0000	Unpaid
09/01/2031	80175LAP9	3.0000	14,115,000.00	750,000.00	234,665.63	984,665.63	1,219,331.26	0.0000	Unpaid
03/01/2032		0.0000	13,365,000.00	.00	223,415.63	223,415.63	.00	0.0000	Unpaid
09/01/2032	80175LAQ7	3.0000	13,365,000.00	770,000.00	223,415.63	993,415.63	1,216,831.26	0.0000	Unpaid
03/01/2033		0.0000	12,595,000.00	.00	211,865.63	211,865.63	.00	0.0000	Unpaid
09/01/2033	80175LAR5	3.0000	12,595,000.00	795,000.00	211,865.63	1,006,865.63	1,218,731.26	0.0000	Unpaid
03/01/2034		0.0000	11,800,000.00	.00	199,940.63	199,940.63	.00	0.0000	Unpaid
09/01/2034	80175LAS3	3.1250	11,800,000.00	815,000.00	199,940.63	1,014,940.63	1,214,881.26	0.0000	Unpaid
03/01/2035		0.0000	10,985,000.00	.00	187,206.25	187,206.25	.00	0.0000	Unpaid
09/01/2035	80175LAT1	3.1250	10,985,000.00	845,000.00	187,206.25	1,032,206.25	1,219,412.50	0.0000	Unpaid
03/01/2036		0.0000	10,140,000.00	.00	174,003.13	174,003.13	.00	0.0000	Unpaid
09/01/2036	80175LAU8	3.2500	10,140,000.00	870,000.00	174,003.13	1,044,003.13	1,218,006.26	0.0000	Unpaid
03/01/2037		0.0000	9,270,000.00	.00	159,865.63	159,865.63	.00	0.0000	Unpaid
09/01/2037		3.3750	9,270,000.00	895,000.00	159,865.63	1,054,865.63	1,214,731.26	0.0000	Unpaid
03/01/2038		0.0000	8,375,000.00	.00	144,762.50	144,762.50	.00	0.0000	Unpaid

Santa Cruz Public Libraries
CFD No. 2016-1 2017 Special Tax Bonds
Current Debt Service Schedule

Bonds Dated: 06/15/2017
 Bonds Issued: \$21,170,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Premium	Status
09/01/2038		3.3750	8,375,000.00	930,000.00	144,762.50	1,074,762.50	1,219,525.00	0.0000	Unpaid
03/01/2039		0.0000	7,445,000.00	.00	129,068.75	129,068.75	.00	0.0000	Unpaid
09/01/2039		3.3750	7,445,000.00	960,000.00	129,068.75	1,089,068.75	1,218,137.50	0.0000	Unpaid
03/01/2040		0.0000	6,485,000.00	.00	112,868.75	112,868.75	.00	0.0000	Unpaid
09/01/2040	80175LAV6	3.3750	6,485,000.00	990,000.00	112,868.75	1,102,868.75	1,215,737.50	0.0000	Unpaid
03/01/2041		0.0000	5,495,000.00	.00	96,162.50	96,162.50	.00	0.0000	Unpaid
09/01/2041		3.5000	5,495,000.00	1,025,000.00	96,162.50	1,121,162.50	1,217,325.00	0.0000	Unpaid
03/01/2042		0.0000	4,470,000.00	.00	78,225.00	78,225.00	.00	0.0000	Unpaid
09/01/2042		3.5000	4,470,000.00	1,060,000.00	78,225.00	1,138,225.00	1,216,450.00	0.0000	Unpaid
03/01/2043		0.0000	3,410,000.00	.00	59,675.00	59,675.00	.00	0.0000	Unpaid
09/01/2043		3.5000	3,410,000.00	1,100,000.00	59,675.00	1,159,675.00	1,219,350.00	0.0000	Unpaid
03/01/2044		0.0000	2,310,000.00	.00	40,425.00	40,425.00	.00	0.0000	Unpaid
09/01/2044		3.5000	2,310,000.00	1,135,000.00	40,425.00	1,175,425.00	1,215,850.00	0.0000	Unpaid
03/01/2045		0.0000	1,175,000.00	.00	20,562.50	20,562.50	.00	0.0000	Unpaid
09/01/2045	80175LAW4	3.5000	1,175,000.00	1,175,000.00	20,562.50	1,195,562.50	1,216,125.00	0.0000	Unpaid
Grand Total:			\$21,170,000.00		\$12,922,351.37	\$34,092,351.37	\$34,092,351.37		



STAFF REPORT

AGENDA: December 5, 2019
DATE: November 30, 2019
TO: Board of Directors
FROM: LFFA Treasurer-Controller
SUBJECT: Senate Bill 165

RECOMMENDATION

Accept and file Senate Bill 165

SENATE BILL 165

Senate Bill 165, filed with the Secretary of State on September 19, 2000, enacted the Local Agency Special Tax and Bond Accountability Act (the "Act"). The Act requires that any local special tax or local bond measure subject to voter approval contain a statement indicating the specific purposes of the special tax, require that the proceeds of the special tax be applied to those purposes, require the creation of an account into which the proceeds shall be deposited, and require an annual report containing specified information concerning the use of the proceeds. The Act only applies to any local special tax measure or local bond measure adopted on or after January 1, 2001 in accordance with Section 50075.1 or Section 53410 of the California Government Code.

Some of the requirements of the Act are handled at the formation of the special tax district and others are handled through annual reports. This section of this report intends to comply with Section 50075.3 or Section 53411 of the California Government Code that states:

"The chief fiscal officer of the issuing local agency shall file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain all the following:

- (a) The amount of funds collected and expended.
- (b) The status of any project required or authorized to be funded as identified in subdivision (a) of Section 50075.1 or Section 53410."

The requirements of the Act apply to the Funds of:

Santa Cruz Libraries Facilities Financing Authority
 Community Facilities District No. 2016-1
 District approved by voters on June 7, 2016

Purpose of Special Tax

Community Facilities District No. 2016-1 was established in 2016 to provide funds for library facilities in the County of Santa Cruz, including but not limited to Aptos, Boulder Creek, Branciforte, Capitola, Downtown Santa Cruz, Felton, Garfield Park, La Selva Beach, Live Oak and Scotts Valley, but excluding library facilities in the City of Watsonville. The improvements funded by the CFD may include new construction and building renovations and service model upgrades needed to provide service desks, an area for displaying materials, separate areas for teens and children, flexible spaces and/or meeting rooms and study rooms, places to display art, new flooring, paint, shelving, furniture and technology, power/data to support library technology, and other upgrades.

Collections & Expenditures

The requirements of the Act apply to the Improvement Fund for the following District:

Date of Issuance	Initial Amount Deposited to Improvement Funds	6/30/2019 Balance	Expended Amount	Project Status
6/15/2017	\$22,003,758.43	\$13,661,107.08	\$8,342,651.35	Ongoing

STAFF REPORT

AGENDA: December 5, 2019
DATE: November 26, 2019
TO: Board of Directors
FROM: LFFA Treasurer-Controller
SUBJECT: LFFA Basic Financial Statements and Independent Auditor's Report

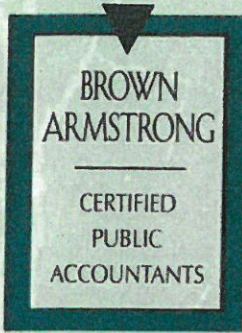
RECOMMENDATION

Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2019 and related correspondence.

DISCUSSION

Pursuant to Section 4(d)(i) of the Amended and Restated Joint Exercise of Powers Agreement, the LFFA Treasurer-Controller is required to "prepare or cause to be prepared an independent audit to be made by a certified public accountant, or a public accountant, as required under Sections 6505, 6505.5 and 6505.6 of the Joint Powers Act." On June 7, 2018 the Board approved an amendment to the Contact with the CPA firm of Brown Armstrong to conduct the audit.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audit opinion is provided on page 2 of the Independent Auditor's Report. An Unqualified Opinion, often referred to as a "clean opinion" was issued reflecting that the report was presented fairly, in all material respects and is free of any misrepresentations.



BROWN ARMSTRONG

Certified Public Accountants

Board of Directors of
Santa Cruz County Library Facilities Financing Authority
Santa Cruz, California

We have audited the basic financial statements of the governmental activities and general fund information of Santa Cruz County Library Facilities Financing Authority (the Authority) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. As described in Note 1 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the year ended 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Authority's basic financial statements.

The basic financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's basic financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Budgetary Comparison Schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 19, 2019

**SANTA CRUZ LIBRARIES
FACILITIES FINANCING AUTHORITY

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

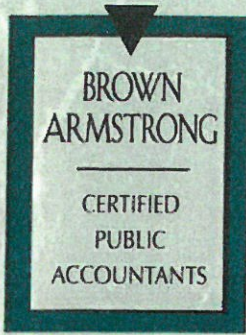
FOR THE YEAR ENDED JUNE 30, 2019**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
JUNE 30, 2019**

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FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund information of the Authority as of June 30, 2019, and the respective changes in its financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 17 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 19, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 1,609,055
Restricted cash and investments	<u>13,661,107</u>
Total Current Assets	<u>15,270,162</u>
LIABILITIES	
Current Liabilities	
Accounts payable	518,270
Due to other governments	159,103
Interest payable	262,945
Bonds payable, due within one year	<u>468,214</u>
Total Liabilities	<u>1,408,532</u>
Long-Term Liabilities:	
Bonds payable, due in more than one year	<u>21,451,730</u>
Total Liabilities	<u>22,860,262</u>
NET POSITION	
Unrestricted	<u>(7,590,100)</u>
Total Net Position	<u><u>\$ (7,590,100)</u></u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
General government	\$ 11,050,913	\$ -	\$ (11,050,913)
Total governmental activities	<u>\$ 11,050,913</u>	<u>\$ -</u>	<u>(11,050,913)</u>
General Revenues:			
			4,426,434
			<u>415,865</u>
		Total general revenues	<u>4,842,299</u>
		Change in net position	(6,208,614)
		Net position:	
		Beginning of year	<u>(1,381,486)</u>
		End of year	<u>\$ (7,590,100)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BALANCE SHEET
JUNE 30, 2019**

	General Fund
ASSETS	
Cash and investments	\$ 1,609,055
Restricted cash and investments	13,661,107
	13,661,107
Total Assets	\$ 15,270,162
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 518,270
Due to other governments	159,103
	677,373
Total Liabilities	677,373
 Fund Balance:	
Restricted	13,661,107
Unassigned	931,682
	14,592,789
Total Fund Balance	14,592,789
Total Liabilities and Fund Balance	\$ 15,270,162

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2019**

Fund Balance - Total Governmental Fund (Page 5) \$ 14,592,789

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund. Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental fund. All liabilities are reported in the statement of net position.

Balances as of the end of the year are:

Bonds payable	(21,919,944)
Interest payable	<u>(262,945)</u>

Net Position of Governmental Activities (Page 3) \$ (7,590,100)

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>
REVENUES:	
Tax assessments	\$ 4,426,434
Interest income	415,865
	<u>4,842,299</u>
Total Revenues	
EXPENDITURES:	
Contributions to other agencies	10,292,662
Principal on long-term debt	250,000
Interest on long-term debt	795,081
General and administrative	5,550
	<u>11,343,293</u>
Total Expenditures	
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,500,994)</u>
NET CHANGE IN FUND BALANCE	<u>(6,500,994)</u>
FUND BALANCE:	
Beginning of year	<u>21,093,783</u>
End of year	<u>\$ 14,592,789</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Total Governmental Fund (Page 7) \$ (6,500,994)

Amounts reported for governmental activities in the statement of activities are different because:

Repayment of debt principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:

2017 Special Tax Bonds	250,000
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Amortization of bond premium	38,214
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Change in accrued interest payable	4,166
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Change in Net Position of Governmental Activities (Page 4)	\$ (6,208,614)
--	----------------

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Cruz Libraries Facilities Financing Authority (the Authority) was organized on December 9, 2014, under a Joint Exercise of Powers Agreement and was amended and restated on February 28, 2017, as a result of a joint community facilities agreement. The members of the Authority include the County of Santa Cruz (the County), the City of Santa Cruz, the City of Scotts Valley, and the City of Capitola (collectively, the Members). The Authority was created under the Mello-Roos Community Facilities Act of 1982, in conformity with California Government Code Section 53311 et seq. for the purpose of financing the acquisition, construction, and/or improvement of public library facilities. Certain authorized facilities will be owned or operated by one or more of the Members, or owned by another local agency but controlled, in whole or in part, by a Member.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Transactions reported as program revenues for the Authority are operating grants and contributions.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are sales taxes, interest income, and member contributions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Major Fund

The Authority reported the following major governmental fund in the accompanying financial statements:

- The General Fund - The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. This is the only fund of the Authority.

C. Cash and Investments

The Authority's cash is pooled with the County's cash and investments to maximize the yield. The County pools its available cash for investment purposes.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Long-Term Liabilities

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

F. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first.

G. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. For the year ended June 30, 2019, the Authority did not have any assets invested in capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments. For the year ended June 30, 2019, the Authority did not have a restricted net position.

Unrestricted Net Position – This amount is all net position that is not restricted or invested in capital assets. For the year ended June 30, 2019, the Authority had an unrestricted net position of negative \$7,590,100.

H. Fund Balance

Fund Financial Statements – The Authority has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund financial statements conform to this new classification. Fund balance consists of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts as described below:

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The Authority did not have any nonspendable fund balance as of June 30, 2019.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Authority had a restricted fund balance of \$13,661,107 as of June 30, 2019.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Authority did not have any committed fund balance as of June 30, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

Assigned fund balance – amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The Authority did not have any assigned fund balance as of June 30, 2019.

Unassigned fund balance – the residual classification for the Authority’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Authority had an unassigned fund balance of \$931,682 as of June 30, 2019.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

The Authority considers restricted fund balance to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers Committed amounts to be reduced first, followed by Assigned amounts, and then Unassigned amounts.

I. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Effect of New Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2019, the Authority implemented the following standards:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Authority has implemented the provisions of GASB Statement No. 83 in the current year with no impact to the basic financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Authority has implemented the provisions of GASB Statement No. 88 in the current year with no impact to the basic financial statements.

K. Future Governmental Accounting Standards Board Pronouncements

Recently released standards by GASB affecting future years are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 84 as of the date of the basic financial statements.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Governmental Accounting Standards Board Pronouncements (Continued)

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 90 – *Major Equity Interests*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 90 as of the date of the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments and restricted cash and investments consisted of the following at June 30, 2019:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 1,609,055	\$ 1,609,055
Cash with fiscal agent	<u>13,661,107</u>	<u>-</u>	<u>13,661,107</u>
Total	<u>\$ 13,661,107</u>	<u>\$ 1,609,055</u>	<u>\$ 15,270,162</u>

A. Cash Held with the County Treasurer

The Authority pools cash from all sources and all funds with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity. The County Treasury Oversight Committee oversees the Treasurer’s investments and policies.

The California Government Code requires California banks and savings and loan associations to secure the County’s cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County’s name.

The market value of pledged securities must equal at least 110% of the County’s cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County’s total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's Investment Policy that address interest rate risk, credit risk, and concentration risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Governmental Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposits	5 years	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None
Joint Powers Authority investment funds	N/A	25%	None
Supranationals	5 years	30%	None

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

D. Concentration of Credit Risk

At June 30, 2019, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

F. LAIF

The County is a participant in the LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2019, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

- Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. LAIF (Continued)

- **Asset-Backed Securities:** generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, as included within the County's basic financial statements, the County invested \$65,238,769 in LAIF, of which was invested 0.02% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.03% in the previous year. LAIF provided a fair value factor of 1.001711790 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

G. Restricted Cash Held with Fiscal Agent

Restricted cash with fiscal agents in the amount of \$13,661,107 included certain amounts which are held by fiscal agents to be used for payment of long-term debt. These funds have been invested as permitted by applicable County ordinances and resolutions.

NOTE 3 – LONG-TERM DEBT

Activity for long-term debt for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2018	Amounts Due Within a Year	Amounts Due More than a Year
Governmental Activities:						
2017 Special Tax Bonds	\$ 21,170,000	\$ -	\$ (250,000)	\$ 20,920,000	\$ 430,000	\$ 20,490,000
Plus Deferred Amounts: For Issuance Premiums	1,038,158	-	(38,214)	999,944	38,214	961,730
Total Governmental Activities Long-Term Liabilities	<u>\$ 22,208,158</u>	<u>\$ -</u>	<u>\$ (288,214)</u>	<u>\$ 21,919,944</u>	<u>\$ 468,214</u>	<u>\$ 21,451,730</u>

2017 Special Tax Bonds

On June 1, 2017, the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2017 Special Tax Bonds (2017 Special Tax Bonds) in the original amount of \$21,170,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made at September 1st. As of June 30, 2019, the total principal balance was \$21,170,000 and the unamortized bond premium was \$1,038,159. Principal and interest paid for the current period was \$288,214.

NOTE 3 – LONG-TERM DEBT (Continued)

2017 Special Tax Bonds (Continued)

The debt service requirement to maturity for the 2017 Special Tax Bonds, including interest, is as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2020	\$ 430,000	\$ 778,081
2021	450,000	756,081
2022	475,000	732,956
2023	495,000	708,706
2024	520,000	683,331
2025-2029	3,025,000	2,991,856
2030-2034	3,725,000	2,300,831
2035-2039	4,355,000	1,660,684
2040-2044	5,135,000	863,356
2045-2046	2,310,000	81,550
Subtotal	20,920,000	\$ 11,557,432
Premium	999,944	
	<u>\$ 21,919,944</u>	

NOTE 4 – CONTINGENCIES AND COMMITMENTS

Lawsuits

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

Commitments

The Authority does not have any major contractual commitments or contingencies as of the year ended June 30, 2019.

NOTE 5 – SUBSEQUENT EVENTS

The Authority's management has evaluated all events and transactions that occurred after June 30, 2019, and through November 19, 2019, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the basic financial statements or disclosure in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Tax assessments	\$ 4,395,215	\$ 4,565,050	\$ 4,426,434	\$ (138,616)
Interest income	4,000	5,700	415,865	410,165
Total Revenues	<u>4,399,215</u>	<u>4,570,750</u>	<u>4,842,299</u>	<u>271,549</u>
EXPENDITURES:				
Contributions to other agencies	17,303,763	17,733,005	10,292,662	7,440,343
Principal on long-term debt	250,000	250,000	250,000	-
Interest on long-term debt	795,081	795,081	795,081	-
General and administrative	22,000	22,000	5,550	16,450
Total Expenditures	<u>18,370,844</u>	<u>18,800,086</u>	<u>11,343,293</u>	<u>7,456,793</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(13,971,629)</u>	<u>(14,229,336)</u>	<u>(6,500,994)</u>	<u>7,728,342</u>
NET CHANGE IN FUND BALANCE	<u>\$ (13,971,629)</u>	<u>\$ (14,229,336)</u>	<u>(6,500,994)</u>	<u>\$ 7,728,342</u>
FUND BALANCE:				
Beginning of year			<u>21,093,783</u>	
End of year			<u>\$ 14,592,789</u>	

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

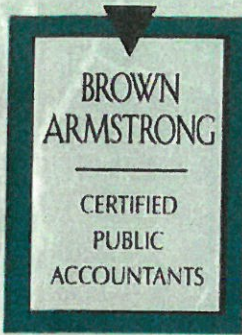
General Budget Policies

The Santa Cruz Libraries Facilities Financing Authority (the Authority) shall adopt an annual budget which provides for allocating the funds it receives to qualifying public libraries. The budget allocations shall be based on a per capita amount and service area population as defined herein. The Authority shall allocate and disburse all of the funds it receives each year.

On or before January 15th of each year, the County of Santa Cruz (the County) Administrative Office, after consulting with the Authority's Controller, shall provide the Authority's Board of Directors (the Board) with a report including an estimate of the funds available to the Authority for the upcoming fiscal year and the population of the cities and the County for the preceding January as contained in the Official State Estimates of the Population for California Cities and Counties. As used herein, the fiscal year begins on July 1 and ends on June 30.

Based on the report on funds available, the Board shall make a determination for the upcoming fiscal year of the proposed amount to be distributed to qualified public libraries and the per capita amount to be distributed for the upcoming fiscal year. A qualified public library's proposed distribution amount for the upcoming fiscal year shall be equal to the per capita amount to be distributed multiplied by the service area population of the library. The per capita amount shall be determined by dividing the amount to be distributed by the County's total population for the previous January as estimated by the State of California in its Official State Estimates. The final distribution amount for the upcoming fiscal year shall be determined in June following the issuance of updated population numbers by the State.

OTHER REPORT



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

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STOCKTON OFFICE

1919 GRAND CANAL BLVD
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STOCKTON, CA 95207
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's basic financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 19, 2019



STAFF REPORT

DATE: December 5, 2019
TO: Libraries Facilities Financing Authority
FROM: Susan Nemitz, Library Director
RE: Annual Meeting Schedule 2020

RECOMMENDATION

Adopt Annual Meeting Schedule 2020

DISCUSSION

Due to closure of the Boulder Creek Branch library for renovation, the June 4 meeting will be held in the Felton Branch.

Attached:
Annual Meeting Schedule 2020



2020 Meeting Dates

LFFA (Libraries Facilities Financing Authority)

Immediately followed by the LJPA (Library Joint Powers Authority)

All are Thursdays

Meeting Date	Location	Time
<u>January 9</u>	<u>Downtown</u>	<u>9:00 am</u>
<u>March 5</u>	<u>Aptos</u>	<u>6:00 pm</u>
<u>May 7</u>	<u>Downtown</u>	<u>9:00 am</u>
<u>June 4</u>	<u>Felton</u>	<u>6:00 pm</u>
<u>August 6</u>	<u>Downtown</u>	<u>9:00 am</u>
<u>October 1</u>	<u>Scotts Valley</u>	<u>6:00 pm</u>
<u>December 3</u>	<u>Downtown</u>	<u>9:00 am</u>