



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

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Second District

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Third District

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Fourth District

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Fifth District

**DATE:** June 03, 2025

**23**

**TO:** Board of Supervisors

### SUBJECT

**APPROVAL OF THE DELIVERY AND EXECUTION OF RELATED FINANCING DOCUMENTS FOR THE REFUNDING CERTIFICATES OF PARTICIPATION FOR THE COUNTY OPERATIONS CENTER, SERIES 2025 (DISTRICTS: ALL)**

### OVERVIEW

Pursuant to Board Policy B-65, Financial Management and Long-Term Obligations Policy and the Refunding Policy of the County of San Diego (County) Debt Advisory Committee (DAC), the County continues to review its outstanding long-term financial obligations and seeks opportunities to refinance these obligations when economically advantageous. Current market conditions have created an opportunity to lower annual payments related to the \$105,330,000 San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (2016 LRBs). Currently, \$70,675,000 of the 2016 LRBs are outstanding.

Today's recommendations will direct County staff to refund the outstanding 2016 LRBs through the sale and delivery of the County of San Diego Certificates of Participation, Series 2025 COPs (2025 Refunding COPs) on a current refunding basis, so long as market conditions allow for a refunding that meets the requirements stated in the DAC Refunding Policy: 1) a minimum net present value (NPV) savings target of 3% of Refunded Par; 2) a minimum of \$1 million of NPV savings; and 3) annual cash flow savings of at least \$100,000. Today's recommendations will also approve the forms of the documents necessary to execute the refunding.

### RECOMMENDATION(S)

#### CHIEF ADMINISTRATIVE OFFICER

Adopt the Resolution entitled:

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO PROVIDING FOR THE EXECUTION AND DELIVERY OF A SITE LEASE, A FACILITY LEASE, A TRUST AGREEMENT, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT, APPROVING THE EXECUTION AND DELIVERY OF COUNTY OF SAN DIEGO REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2025 (COUNTY OPERATIONS CENTER) EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$65,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES AND AUTHORIZING THE EXECUTION

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OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS RELATED THERETO

**EQUITY IMPACT STATEMENT**

Approval of the 2025 Refunding COPs for the County Operations Center will generate savings and the potential to reallocate resources to benefit the overall County of San Diego operations and programs that support the most vulnerable population across the region.

**SUSTAINABILITY IMPACT STATEMENT**

Today's action supports sustainability/economy through an overall estimated reduction in costs resulting from the sale and delivery of the 2025 Refunding COPs for the County Operations Center, that could allow reallocation of available operational resources to maintain fiscal stability and ensure long-term solvency.

**FISCAL IMPACT**

Funds for the debt service payments for the 2016 LRBs are included in the Fiscal Year 2024-25 Operational Plan and the Fiscal Year 2025-26 CAO Recommended Operational Plan and will be included in future Operational Plans based on General Purpose Revenue. If approved, the Board's approval of the 2025 Refunding COPs will result in budgetary savings to benefit the General Fund beginning in Fiscal Year 2026-27. Based on current market practice, the County is able to eliminate the need for a debt service reserve fund, and will apply amounts on deposit in the reserve fund for the 2016 LRBs to the refunding.

Based on current market conditions, the proposed 2025 Refunding COPs are estimated to generate annual lease payment savings of approximately \$1.3 million beginning in Fiscal Year 2026-27 and through Fiscal Year 2035-36, which equates to \$13.0 million in total cash flow savings over the remaining term of the obligation and \$6.6 million of present value savings (9.4% of refunded par). The 2025 Refunding COPs will not exceed the final maturity of the 2016 LRBs (Fiscal Year 2036). The actual amount of savings will be determined based on interest rates at the time of sale of the 2025 Refunding COPs. The 2025 Refunding COPs will be awarded to the purchaser presenting the lowest interest rate in accordance with the Notice Inviting Bids as of the time of sale.

The Resolution authorizes a not to exceed amount for the 2025 Refunding COPs of \$65 million. A good faith estimate of the finance charge of the 2025 Refunding COPs which includes the costs of issuance (rating agencies, special counsel, disclosure counsel, municipal advisor, title insurance, etc.) and underwriter's discount is \$542,142. If approved, the County will only complete the transaction if it meets the requirements of the Refunding Policy at the time of sale of the 2025 Refunding COPs.

**BUSINESS IMPACT STATEMENT**

N/A

**ADVISORY BOARD STATEMENT**

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The Debt Advisory Committee, composed of the Chief Financial Officer, the Auditor and Controller and the Treasurer-Tax Collector, concurs with today's recommendation.

Related actions have been approved by the San Diego County Capital Asset Leasing Corporation (SANCAL) on Tuesday, May 20, 2025. SANCAL is a nonprofit public benefit corporation established in June 1984 under the California Corporations Code. SANCAL acts as an advisory board on financing issues, facilitates lease financings and evaluates financing alternatives for projects referred to them by the Board of Supervisors. SANCAL regularly assists the County with its long-term lease financings such as the 2025 Refunding COPs in accordance with documents which have substantial consistency of terms among financings. SANCAL acts as a counterparty to the County leases and has no liability to the purchasers of the 2025 Refunding COPs.

**BACKGROUND**

Board Policy B-65, Financial Management and Long-Term Obligations Policy states that the County shall continually review outstanding obligations and aggressively initiate refundings when economically feasible and advantageous. By replacing an existing obligation issued with higher interest rates with an obligation that can be issued at lower rates, the County can obtain a lower cost of borrowing.

The County now has the opportunity to reduce debt service by refunding the 2016 LRBs on a tax-exempt current refunding basis, which refers to a type of bond refunding where new tax-exempt bonds are issued to pay off outstanding tax-exempt bonds within 90 days of the new bonds' issuance, by the sale and delivery of the 2025 Refunding COPs. In the current market, interest rates on the 2025 Refunding COPs will produce savings sufficient to meet the County's refunding requirements. The final maturity of the 2025 Refunding COPs will not extend past the final maturity of the 2016 LRBs and principal will be amortized proportionately.

The San Diego Regional Building Authority has completed its role in assisting with the development of the County Operations Center that commenced in 2009, and as provided in the Prior Facility Lease and Prior Indenture, upon such prepayment and defeasance, its obligations will be terminated and discharged. In order to effect such restructuring and defeasance of the 2016 LRBs, the County and SANCAL will enter into a site lease and facility lease for the 2025 Refunding COPs.

The Resolution authorizes a not to exceed amount for the 2025 Refunding COPs of \$65 million. California Senate Bill 450 (SB 450) requires public agencies to obtain and disclose good faith estimates of financial information before issuing bonds longer than 13 months. This includes estimates of the finance charge, defined as all fees paid to third parties. SB 450 also mandates estimates of the true interest cost, the net proceeds received, and the total payment amount. These estimates aim to improve transparency regarding the costs of local government bond issuances. The estimates must come from an underwriter, financial advisor, or private lender. Importantly, failure to provide these estimates does not invalidate the bonds. A good faith estimate of the finance charge of the 2025 Refunding COPs which includes the costs of issuance (rating agencies,

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special counsel, disclosure counsel, municipal advisor, title insurance, etc.) and underwriter's discount is \$542,142. If approved, the County will only complete the transaction if it meets the requirements of the Refunding Policy at the time of sale of the 2025 Refunding COPs.

**Summary of the 2025 Refunding COPs Document Forms Presented for Approval**

The financing documents related to the 2025 Refunding COPs which are being recommended for approval through adoption of the resolution in the recommendation are as follows:

*Trust Agreement.* By and among Zions Bancorporation, National Association, as trustee (Trustee), the County and SANCAL. This document will engage the Trustee and provide the legal structure and terms for payment and prepayment of the 2025 Refunding COPs. Provides direction to the Trustee and the County regarding the administration of the 2025 Refunding COPs until final maturity.

*Site Lease.* By and between the County and SANCAL. This document provides the terms by which the County leases the leased premises to SANCAL.

*Facility Lease.* By and between SANCAL and the County. This document provides the terms by which SANCAL leases the leased premises to the County. It is these lease payments that the County makes to SANCAL that will be used to repay the 2025 Refunding COPs as specified in the Facility Lease.

*Preliminary Official Statement.* This is the preliminary offering document related to the 2025 Refunding COPs, and together with Appendix A provides key financing and credit information to potential investors. The County will execute the final Official Statement which will include pricing information.

*Notice of Intention to Sell.* This is a notification that the County intends to sell the 2025 Refunding COPs that is required to be published in an industry newspaper.

*Notice Inviting Bids.* This is the document that describes the parameters of the transaction to the underwriting firms that will bid on the 2025 Refunding COPs.

*Continuing Disclosure Agreement.* By and between the County and the financial disclosure dissemination agent. This agreement provides the terms by which the County agrees to provide ongoing disclosure with beneficial owners of the 2025 Refunding COPs, including specific content to be provided annually or upon occurrence.

*Escrow Agreement.* Between the County and the Trustee. This agreement provides the terms by which the Trustee as escrow bank will hold a portion of the 2025 Refunding COPs proceeds until October 15, 2025, the redemption date of the 2016 LRBs, at which time the Trustee, as escrow back will pay off the outstanding 2016 LRBs.

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**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's proposed action supports the Sustainability Strategic Initiative in the County of San Diego's 2025-30 Strategic Plan by authorizing a refinancing that will lower the costs associated with the County's long-term financial obligations.

Respectfully submitted,



EBONY N. SHELTON  
Chief Administrative Officer

**ATTACHMENT(S)**

1. RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO PROVIDING FOR THE EXECUTION AND DELIVERY OF A SITE LEASE, A FACILITY LEASE, A TRUST AGREEMENT, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT, APPROVING THE EXECUTION AND DELIVERY OF COUNTY OF SAN DIEGO REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2025 (COUNTY OPERATIONS CENTER) EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$65,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS RELATED THERETO
2. Form of Trust Agreement
3. Form of Site Lease
4. Form of Facility Lease
5. Form of Preliminary Official Statement and Appendix A
6. Form of Notice of Intention to Sell
7. Form of Notice Inviting Bids
8. Form of Continuing Disclosure Agreement
9. Form of Escrow Agreement