




**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

**PUBLIC WORKS**

**DATE:** October 13, 2004

**BOARD MEETING DATE:** October 19, 2004

**TO:** Honorable Board of Supervisors

**FROM:** Neil Cullen, Director of Public Works 

**SUBJECT:** Certificates of Participation Financing of Projects in the Colma Creek Flood Control Zone

**RECOMMENDATION:**

Acting as the Governing Board of the San Mateo County Flood Control District adopt a:

- A) Resolution:
1. Approving forms of and execution of an Installment Payment Agreement, a Trust Agreement, a Purchase Contract and a Continuing Disclosure Agreement
  2. Approving the execution and delivery of Certificates of Participation
  3. Approving form of and distribution of an Official Statement for said Certificates of Participation
  4. Authorizing taking of necessary actions and execution of necessary documents and certificates
- B) Resolution waiving the Request for Proposal process and authorizing the execution of agreements with Orrick, Herrington & Sutcliff, LLP and California Financial Services

**KEYFACTS:**

Financing through a Certificates of Participation issue is the best and most cost-effective available alternative that allows the Colma Creek Flood Control Zone (Zone) to complete projects on an expedited basis and does not raise taxes or initiate new fees for the Zone.

- The obligation to pay debt service on the COPs is an obligation of the District and involves no County guarantees or contingent liabilities to investors.

- The Agreements and other actions that would be approved by adoption of the recommended Resolution are necessary to implement the financing.
- The Flood Control District Certificate of Participation debt service is not included in the County's Debt Service limit.

**DISCUSSION:**

The San Mateo County Flood Control District (District) issued \$15,700,000 of COPs in 1997 to fund the original improvements in the Zone in combination with funding from Caltrans and BART. The COP proceeds were utilized to finance design, administration and construction costs incurred by the District for the following projects:

- Reconstruction of the south Airport Avenue Bridge in the City of South San Francisco;
- Construction of a Box Culvert in Old Mission Road in the Town of Colma;
- Construction of an Open Channel over BART in the City of South San Francisco;
- Construction of the El Camino Box culvert Project in the City of Daly City and Town of Colma; and
- Design for Raising the San Mateo Avenue Bridge in the City of South San Francisco.

The remaining elements of the Colma Creek Flood Control Project are proposed to be funded using a combination of District fund balances, and long-term financing using a second series of Certificates of Participation (COPs) to be issued this calendar year. The same COP financing structure as the 1997 COPs is being proposed for the 2004 COPs. Funds that will be obtained by the District from the 2004 COP financing will be utilized to finance design, administration and construction costs incurred by the District for the following projects:

- Complete construction of Channel Improvements between Spruce Avenue and San Mateo Avenue in the City of South San Francisco;
- Complete construction of Habitat Mitigation Sites in the City of South San Francisco;
- Construct Channel Side Walls between Utah Avenue and Navigable Slough in the City of South San Francisco
- Dredge the existing channel from Utah Avenue to the Bay; and
- Construction of Drainage Improvements in the City of Daly City.

The COP financing process requires the Flood Control District to enter into an Installment Payment Agreement with the San Mateo County Joint Powers Authority (Authority) agreeing to annually appropriate funds (debt service payments) to pay principal and interest payments on the COPs. The COPs are then issued through the Authority. The Authority assigns the District's payments to the U.S. Bank, National Association (Trustee) who receives the District's payments and pays the Certificate holders. Initially the COPs are purchased by the Underwriter (Citigroup) who has offered and secured investor commitments to purchase the Certificates. The Official Statement is used by the Underwriter to market the Certificates to these investors.

The term of the financing is 35 years. The estimated proceeds from the sale of the Certificates are \$10,500,000 based on current interest rates and will not exceed the \$11,000,000 to be approved in the Resolution. Based on current market conditions, the average annual debt service on the 2004 COPs for the first year is approximately \$1,000,000. The combined 1997 and 2004 COPs will obligate the District to annual payments of approximately \$1,550,000 through 2039. The revenues of the District are sufficient to make debt service payments, fund operating and maintenance costs for the Zone projects and provide for a reasonable and prudent ongoing reserve for the District. The financing issuance costs (excluding interest) are approximately \$575,000. This includes the fees for California Financial Services (Financial Advisor), Orrick, Herrington and Sutcliffe LLP (Bond Counsel), Citigroup (Underwriter), the estimated costs for credit insurance and surety/reserve fund as well as other miscellaneous closing expenses.

Funds from the sale of the Certificates of Participation are expected to be available to the District by November 30, 2004. The Authority will act on its resolution at its October 21<sup>st</sup> meeting.

**VISION ALIGNMENT:**

The recommended action furthers the County's commitment to ensure basic health and safety for all and is consistent with Goal Number 7, maintain and enhance the public safety of all residents and visitors.

**FISCAL IMPACT:**

Annual COP debt service for the District will be increased by approximately \$1,000,000

There is no increase in taxes or fees to the property owners in the Zone, and there is no impact to the County General Fund as the COPs are the debt of the District's Zone and not the County General Fund.

The resolution has been approved by County Counsel.