



COUNTY of VENTURA

Financial Planning Committee

**April 26, 2022 at 4:00 p.m. or after the
end of the Board of Supervisors Meeting
County Government Center
Hall of Administration
Board of Supervisors Hearing Room**

AGENDA

1. Public Comment
2. Minutes of the April 13, 2021 Financial Planning Committee Meeting
3. FY 2022-23 TRANs Issuance Recommendations and Timeline
4. Ventura County Property Tax Assessment and Collection System (PTACS) Supplemental Financing through the County's Revolving Credit Agreement in an amount not to exceed \$1,392,600
5. Committee Member Comments on Any Other Items



COUNTY of VENTURA
County Executive Office
MEMORANDUM

DATE: April 26, 2022
TO: Financial Planning Committee
FROM: Bryan Friedman, County Executive Office

SUBJECT: April 13, 2021 FINANCIAL PLANNING COMMITTEE MEETING MINUTES

Virtual Attendance via Zoom Video Conference:

Committee Members Present:

Linda Parks, Board of Supervisors
Carmen Ramirez, Board of Supervisors
Michael Powers, Chair, County Executive Office
Jeff Burgh, Auditor-Controller
Steven Hintz, Treasurer-Tax Collector
Jeffrey Barnes, Chief Deputy County Counsel

County Staff

Kaye Mand, County Executive Office
Bryan Friedman, County Executive Office
Michael Kumazawa, County Executive Office
Jeffrey Pratt, Public Works Agency
Joseph Pope, Public Works Agency
Joanne McDonald, Auditor Controller's Office
Jill Ward, Auditor Controller's Office
Kathleen O'Keefe, Auditor Controller's Office

Chair Michael Powers called the meeting to order at 5:14 p.m. on April 13, 2021.

1. Public Comment

No Public Comments were submitted.

2. Approval of Minutes of the January 27, 2021 Financial Planning Committee Meeting

Supervisor Parks made a motion to approve the minutes and Jeffrey Burgh seconded the motion. There was no opposition and the motion passed.

3. Use of Revolving Credit Agreement and Cash Flow Loan for Waterworks District 19 Well No. 2 Iron and Manganese Treatment Facility Project

Ms. Mand introduced the request for financing Well No. 2 Treatment Facility with a combination of the County's Revolving Credit Agreement and a General Fund loan to refinance their existing USDA Loan. She mentioned that the District had come before the Financial Planning Committee during February 2020 to seek financing for the same project. At that time, the loan was approved with a contingency that the District pass a rate increase to fund the incremental expense. Unfortunately, the District was unable to secure a rate increase and the project bids expired. Ms. Mand noted that in December 2020 the District approved two surcharges, one to replenish their cash reserves and one to fund debt service associated with this financing request. Ms. Mand finished by outlining the financing being sought: \$767k from the Revolving Credit Agreement to be repaid over 30 years, \$2.52M to refinance an existing USDA Loan and be repaid over 23 years, and \$1.74M Short Term General Fund Loan due to State Grant reimbursement timing.

Mr. Pope went on to expand on the District's request. The State has provided \$2.65M in funding for this Well Treatment Project. He reiterated the financing request and added that the General Fund Loan is primarily related to the 60-90-day lag in payment from the State. The surcharge fees the District passed are sufficient to provide financial stability to accommodate the proposed financing. Mr. Pope mentioned that if approved, this financing and project award, would be presented at the Board of Supervisors meeting the following week.

Mr. Hintz wanted to confirm that this was a General Fund Loan, and not a Loan from the County Pool itself. Ms. Mand and Mr. Pope confirmed this is a General Fund loan.

Supervisor Parks made a motion to approve the financing structure for Waterworks District 19 and Supervisor Ramirez seconded the motion. There was no opposition and the motion passed.

4. FY 2021-22 TRAns Issuance Recommendations and Timeline

Ms. Mand covered the request to issue tax and revenue anticipation notes in an amount not to exceed \$200M as a means of bridging a cash flow shortfall prior to receipt of property taxes in December and to prefund the retirement contribution. This is an effort the County has conducted yearly since 1979. In Fiscal Year 2021 our retirement prefunding of \$165M is expected to result in savings of approximately \$5M. In Fiscal Year 2021, we issued \$120.5M in TRAns with an effective interest rate of 0.19%.

Ms. Mand recommended issuing the notes on a competitive basis and at a fixed rate, as this has served the County well in the past. Last year, we had 9 investors bid on our notes with the lowest bid coming in at 0.19%. She stated that estimated costs of financing include Bond Counsel, Financial Advisor, Rating Agency and Other costs estimated at \$200K. Lastly, she noted the issuance timeline was attached to the committee packet.

Mr. Powers noted that a competitive process usually garners better rates.

Mr. Hintz requested that the timing be established so that payout of the new note is on the same day as the payoff of the prior note, to avoid any cash outflows of the County Pool.

Mr. Hintz made a motion to approve the TRANs Issuance structure and Mr. Burgh seconded the motion. There was no opposition and the motion passed.

5. Committee Member Comments on Any Other Items

No comments

The meeting was adjourned at 5:31 p.m.



COUNTY *of* VENTURA

County Executive Office MEMORANDUM

DATE: April 26, 2022

TO: Financial Planning Committee

FROM: Kaye Mand, County Chief Financial Officer

SUBJECT: Proposed FY 2022-23 Tax and Revenue Anticipation Notes (TRANS)

Each year, the County's cash requirements exceed cash receipts until the first installment of property taxes is received in December. To bridge this shortfall, the County has issued an annual TRANS since 1979. Also, as in past years, we plan to pre-fund the County's annual retirement contribution which results in additional savings.

The short-term note market is currently experiencing a period of volatility with short-term yields for 1-year taxable notes currently pricing in the range of 150 - 200 basis points, depending on credit. Based on current market conditions, we anticipate the County's upcoming Tax and Revenue Anticipation Notes ("TRANS") to sell effectively in the competitive market, although with the pending Federal Reserve Rate hikes there is greater uncertainty on the pricing. The financing team will continue to monitor short-term market conditions as we approach pricing.

The following comments and recommendations are provided for your consideration and approval:

1. Requirements for a Debt Issue

Recommendation: It is recommended that we issue TRANS not to exceed par amount of \$200,000,000 with a term of twelve months. The size of the issue will be determined at a later date when estimates for FY 2022-23 revenues and expenditures are finalized.

Last year, the par value of the TRANS issue was \$110 million and for the first time we issued a taxable note instead of a tax-exempt instrument. This was due to a determination by outside Bond Counsel that the Federal COVID funding received by the County and accounted for in a trust fund was considered available for cash flow

purposes. As a result, it would have been difficult to meet the minimum cash balances required for a tax-exempt issue.

2. Type of Issue – Negotiated or Competitive

Recommendation: It is recommended the County proceed with a competitive offering not to exceed par amount of \$200,000,000 but we further recommend maintaining flexibility and having the option to proceed with a negotiated sale, instead of a competitive offering, in the event market conditions change such that a negotiated offering would be more advantageous to the County in accordance with the County's Debt Utilization Policy.

Since FY 2010-11, we have issued TRANs on a competitive method of sale basis. A competitive issue is considered a more open process since the issue is sold through a public auction. Through the competitive bid process, market forces and competition among underwriters should effectively keep interest costs at their lowest.

One disadvantage of a competitive bid is the limited timing. Due to the legal notice requirements of a competitive bid, there is a required minimum period between the time documents are completed and the actual pricing date. In a competitive bid, it is also important to attract sufficient investor and underwriter interest. We feel the market is familiar with the County as we have been issuing TRANs since 1979. Last year, the County benefited from a successful competitive sale that attracted 8 bids.

Based on current market conditions, and feedback from the market, we believe the County can effectively sell the 2022-23 TRAN via a competitive sale. However, due to the recent uncertainty and volatility around interest rates, it is important to preserve the flexibility to switch to a negotiated method of sale if market conditions change significantly before pricing.

3. Other Expenditures

Recommendation: Approve the following expenditures related to this borrowing, estimated as follows:

- A. Professional Services - \$200,000 including, but not limited to, legal services, municipal advisor fees, rating agencies' fees and printing charges.
- B. Interest and Underwriter Expenses - to be determined at the time of sale.

4. Fixed or Variable Interest Rate

Recommendation: It is recommended that the County issue TRANs with a fixed interest rate

As in past years, we recommend a fixed interest rate TRANs. Last year, the competitive sale resulted in a fixed coupon rate of 0.25% and a yield of 0.13%. However, as noted earlier, market interest rates are rising significantly, and the exact coupon rate and yield will not be known until pricing of the TRANs issue takes place in early June.

Preliminary TRANs Schedule: Timeline for TRANs issue (attached).



FINANCING SCHEDULE



Ventura County 2022-23 Tax and Revenue Anticipation Notes (as of March 22, 2022)

March 2022							April 2022							May 2022							June 2022							July 2022						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5							1	2	1	2	3	4	5	6	7			1	2	3	4							1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				26	27	28	29	30			24	25	26	27	28	29	30	
																										31								

Date	Activity	Responsibility
Wednesday, March 23 rd at 1:00 pm (via MS Teams)	Kick-off conference call to discuss key cash flow items, Financing Schedule, and Distribution List.	All
Friday, April 1 st	Distribute initial draft of legal documents (Board Resolution, Official Notice Inviting Bids, Notice of Intention to Sell Notes, Note Purchase Contract) and disclosure document (Preliminary Official Statement).	NRF
Week of April 4 th	Working group call to review first draft of financing and disclosure documents.	All
Friday, April 15 th	Distribute second draft of legal and disclosure documents.	NRF
Week of April 18 th	Conference call to review second draft of legal and disclosure documents.	All
Thursday, April 21 st	Financial Planning Committee Agenda deadline for April 26 th Meeting.	County
Friday, April 22 nd	BOS Agenda deadline for May 3 rd BOS meeting.	County
Tuesday, April 26th	Financial Planning Committee Meeting to Approve 2022-23 TRAN financing.	County
Friday, April 29 th	Distribute substantially final legal documents and disclosure documents for BOS Agenda.	NRF
	BOS Agenda deadline for May 10 th BOS meeting.	County
	Distribute initial draft of rating presentation.	KNN

Date	Activity	Responsibility
Week of May 2 nd	Conference call to review draft of rating agency presentation.	County, KNN
Tuesday, May 3rd	County Board of Supervisors meeting to approve in concept the 2022-23 TRAN financing.	County
Wednesday, May 4 th (or earlier, if possible)	Distribute draft of cash flow statements, inclusive of March 2022 actuals.	County
Thursday, May 5 th	Cash Flow Variance Memo distributed to County.	KNN
Friday, May 6 th	Conference call to review Cash Flow Variance Memo and confirm TRAN sizing with Tax Counsel (if tax-exempt).	County, NRF, KNN
Tuesday, May 10th	County Board of Supervisors meeting to approve 2022-23 TRAN financing.	County
Friday, May 13 th	Finalize rating agency presentation.	County, KNN
Wednesday, May 18 th and/or Thursday, May 19 th	(Virtual) meeting with rating agencies: Moody's & Standard & Poor's.	County, KNN
Monday, May 23 rd	Conference call to finalize POS.	All
Tuesday, May 24 th	Receive credit ratings.	County, KNN
Wednesday, May 25 th	Post POS by end of day.	All
	Publish Notice of Intention to Sell Notes (must be at least 5 days before sale)	NRF
Monday, May 30 th	Memorial Day holiday.	All
Wednesday, June 1 st	Competitive pricing of TRANs. (must be at least 397 days from final maturity to preserve money market fund eligibility).	County, KNN, UW
One-week Post Pricing	Finalize Official Statement.	NRF
	Distribute revised legal documents for signature.	NRF
Friday, July 1 st (subject to market feedback)	TRAN closing.	All

County = County of Ventura
KNN = KNN Public Finance LLC (Municipal Advisor)
NRF = Norton Rose Fulbright US LLP (Bond and Disclosure Counsel)
UW = TBD (Underwriter)
All = Working Group

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COUNTY of VENTURA
County Executive Office
MEMORANDUM

ITEM 4

DATE: April 26, 2022

TO: Financial Planning Committee

FROM: Kaye Mand, County Chief Financial Officer 

SUBJECT: Ventura County Property Tax Assessment and Collection System (PTACS) Supplemental Financing in an amount not to exceed \$1,392,600 through the County's Revolving Credit Agreement (RCA)

Recommendations:

Approve the use of the Revolving Credit Agreement in an amount not to exceed \$1,392,600 as Supplemental Funding for the Ventura County Property Tax Assessment and Collection System.

Background:

The background and detail for this project has been provided by the Assessor, Auditor-Controller and Treasurer-Tax Collector (please see attached).

Discussion:

The Assessor, Auditor-Controller, and Treasurer-Tax Collector are requesting supplemental funding in the amount of \$1,392,600 to complete the PTACS project. The amount is in addition to the previously approved \$17,157,908 presented to the Financial Planning Committee on July 21, 2020, for a total revised project cost of \$18,550,508.

The PTACS project is a web-based integrated system that will replace the current 30-year-old mainframe system used in all aspects of the property tax function by the Assessor, Auditor-Controller, and Treasurer-Tax Collector. Additional funding is needed due to changes in project scope, project management and the review and testing approach for deliverables. The Assessor's office component of this project has gone live, and the additional financing should allow the project to continue forward with a targeted implementation date of July 2022 for the Auditor-Controller and Treasurer-Tax Collector components.

As of April 1st, 2022, of the \$51 million revolving credit line, \$29.1 million has been drawn. There is sufficient capacity to fund this request. Debt service for the additional funding will be an obligation of the General Fund.



DATE: April 26, 2022

TO: Financial Planning Committee

FROM: Jeffery Burgh, Auditor-Controller
Dan Goodwin, Assessor
Steven Hintz, Treasurer-Tax Collector

SUBJECT: APPROVAL OF THE USE OF THE REVOLVING CREDIT AGREEMENT OR OTHER LONG-TERM FINANCING INSTRUMENTS IN AN AMOUNT NOT TO EXCEED \$1,392,600 TO FUND THE PROPERTY TAX ASSESSMENT AND COLLECTION SYSTEM (PTACS) PROJECT.

The PTACS project will replace the existing mainframe property tax functionality and cashing capability used by the Assessor, Auditor-Controller, and Treasurer-Tax Collector with a state-of-the-art web-based integrated system. The current system is over 30 years old and was built on technology that is no longer supportable. On March 12, 2013, your Board approved the first PTACS replacement project with Thompson Reuters for \$19.7 million. This project was not started due to the vendor's extensive delays and inability to complete similar projects with other counties. On March 15, 2016, your Board approved the current PTACS project and financing with a not-to-exceed amount of \$13,257,410, approximately \$6.4 million less than the original project, from Tax Exempt Commercial Paper (TECP). On January 15, 2019, your Board was informed via letter that, due to increases in project scope in order to accommodate functionality to better meet the needs of our community, the project timeline would be moved out one year without requiring additional funding.

Recognizing a need for a shift in project management, in November 2019, an experienced and independent information technology executive was engaged to conduct a more thorough assessment of the project. This assessment included not only a review of the status of requirements but also the project structure and processes.

The assessment recommended the implementation of a more formal, deliverable-based project management approach for the remainder of the project. This approach required a substantial change in how the vendor releases software to the County team and how we review and test deliverables.

That approach was implemented. Requirements were checked on a bi-weekly basis as software was demonstrated. The County project team went back to previous releases when necessary to confirm requirements were met. Change management is now in full force.

Those changes required an amendment to the Brainsharp contract, as implementing the changes required additional costs. The original contingency was exhausted to support the schedule extension presented in the January 2019 Board letter. While the new approach improved the development process, it was not entirely effective. The Assessor module, Oasis went into system test in October of 2021. However, the Auditor-Controller and Treasurer Tax-Collector module needed further development and is on target for go live in July 2022.

After recent analysis, the Agencies have requested a level of system test support that exceeds the current project budget of \$892,400.

System test support in the case of the PTACS Upgrade Project includes the following:

- Continued Oasis and Orbit development of the system as the system is exercised through all the Assessor, Auditor-Controller, and Treasurer Tax-Collector processes during the first year
- The implementation continues as parts of the system come online. During this time, changes are made, data conversions are performed, and testing occurs as a response to user-reported issues
- Detailed data analysis and rectification
- Updating application configurations and security
- Reviewing application, database, and system error files

All these efforts and time are necessary to bring the system into a state where the County can sign-off that the project is complete. The newly revised system test support budget is \$2,160,000. The additional funding required is \$1,267,600. In addition, there is a project change request required for the Auditor-Controller RDA worksheet implementation, formulas, and calculations due to a court case decision against the County of San Diego for \$50,000 and a project change request required for the Treasurer Tax-Collector for payment plan calculations and processing based on an Audit finding for \$75,000.

The total increase of the Brainsharp Corporation contract required to address these new changes is \$2,285,000, increasing the Brainsharp Corporation contract to \$6,773,984 and increasing the overall PTACS project budget by \$1,392,600; for a total revised PTACS Project Budget of \$18,550,508, which is still approximately \$1.2 million less than the original project cost.

Despite the effort to analyze the remaining work, some risk remains to complete the project including additional software changes unforeseen by any party, issues related to converting older legacy data in the existing system, and complexities in integration testing and implementation.

The following chart summaries the costs associated with the recommended changes to the

project.

Additional cost to Brainsharp Contract		
Current System Test Budget	\$ 892,400	
Additional System Test Support requested by Agencies	\$1,267,600	
Auditor-Controller Change Order	\$50,000	
Treasurer Tax-Collector Change Order	\$75,000	
Total Additions to Brainsharp Contract		\$2,285,200
PTACS Project Budget Increase		
Additional System Test Support requested by Agencies	\$1,267,600	
Auditor-Controller Change Order	\$50,000	
Treasurer Tax-Collector Change Order	\$75,000	
Total Additions to the PTACS Project Budget		\$1,392,600

From the outset we have endeavored to design a property tax system that will fulfill the County’s mission of providing superior public service and be a benefit to meeting the needs of the community. We have seen many counties in California struggle with challenging and costly property tax system implementations, some of which have gone live with systems that aren’t fully tested or with the promise that other pieces will be developed later. Realizing that this property tax system will maintain the values of over 320,000 taxable properties, process over 280,000 tax bills annually, and will be responsible for collecting and apportioning revenues on behalf of over 300 taxing entities, it is crucial that we build a good and solid system.

As a result, we request that proceeds be in place by June of 2022 with final amounts expended by 2023. Principal amortization began in the first fiscal year after the first draw on the project. For the PTACS project the first draw occurred in FY17-18, and principal began amortizing in FY18/19. The loan is currently scheduled to be fully amortized in FY27/28.