



**City of Santa Cruz**  
City Manager's Office  
809 Center Street  
Santa Cruz, CA 95060

DATE: March 13, 2025

TO: Libraries Facilities Financing Authority Board Members:

Mali Lagoe, Scotts Valley, LFFA Vice Chair

Nicole Coburn, Santa Cruz County, LFFA Board Member

Jamie Goldstein, Capitola, LFFA Board Member

FROM: Matt Huffaker, City of Santa Cruz, LFFA Board Chair

RE: Request for JPA/LFFA Members Debt Service Coverage to Support Santa Cruz Bonding Capacity

Dear LFFA Board Members,

At an upcoming Board meeting, the Board will be presented with a resolution to approve an increased bonding amount under the Second Supplement amendment of the JPA. This amendment increases members' share of the surplus special tax after debt service payments. The City of Santa Cruz is interested in leveraging 100% of its new surplus allocation for bond issuance. This will allow for maximum proceeds to be received to support the Downtown Library Affordable Housing Project (DLAHP), expected to begin construction this coming May or June. The DLAHP includes affordable housing, childcare, commercial/retail, and a new Downtown Library, serving as the Main Branch for our countywide system. The DLAHP will be the last library project to be completed in response to the Library Facilities Master Plan and the voter approved Measure S funds to support Library Projects.

Due to the debt service coverage requirement of 1.10x revenue for all debt service, the City of Santa Cruz would only be able to leverage a portion of its share of annual special tax surplus revenues. Leveraging 100% of the City's share requires some members to acknowledge a reduction in their ability to leverage all or a portion of their own share of surplus for bond issuance in the future. This is due to the fixed amount of bonding capacity (see attached Bonding Capacity Memo dated 3/6/2025). The City of Santa Cruz is requesting that members assist by allowing the new surplus allocations to be pledged to debt service coverage for the upcoming series of bonds for the DLAHP. A Debt Service Pledge would only impact an individual member's annual net tax revenue distribution amounts if there was a decrease in revenues collected from the parcel tax. A decrease in revenues could only occur if the number of parcels decreased in the County or a significant number of defaults were to occur. Both scenarios are very unlikely.

This Debt Service Pledge can be made up of a percentage of the new special tax surplus allocation or pledged in its entirety and would not have any bearing on members receiving their full annual payments of surplus special tax collected. As stated above, it could limit the available capacity for



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members to issue bonds in the future if any member were contemplating a bond issuance at a later time.

As we continue our commitment to serving our community and realizing the goal from the Library Facilities Master Plan to modernize the entire Santa Cruz Public Libraries System, we kindly seek your support in providing debt service coverage for the City of Santa Cruz to bond for our full member allocation. The Downtown Library Branch serves a critical role as a hub for the broader Public Library system and programs. This assistance will play a vital role in ensuring completion of the final Library project; a new, modernized, sustainable Downtown Branch Library.

As stated above, a resolution will be presented for your consideration at an upcoming meeting in the near future. In the meantime, please consider asking your respective Council/Board for its blessing if you deem it necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Huffaker".

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**Matt Huffaker**

**City Manager/LFFA Board Chair**

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