



## Public Financing Advisory Committee

Thursday, April 28, 2016 at 1:30 pm

Orange County Probation Office

Grand Avenue Training Office

### MEETING MINUTES

**Attendees:** Lisa Hughes (Chair), Wallace Rodecker (Vice Chair), Thomas Hammond (Committee Member), John J. Moohr (Committee Member), Shari Freidenrich (Treasurer-Tax Collector), Angie Daftary (County Counsel), Barbara Tidball (OCPW), Suzanne Luster (CEO/Public Finance Director), Victoria Ross

**Absent:** Carl Groner (Committee Member), Eric Woolery (Auditor-Controller), Michelle Aguirre (Chief Financial Officer)

- I. **Call to Order/Introductions/Opening Remarks:** Meeting called to order by Chair Lisa Hughes.
- II. **Review and Approval of Minutes:** Meeting Minutes of March 10, 2016 were approved. Member Rodecker moved the minutes, Member Moohr seconded, approved unanimously.
- III. **Election of Public Financing Advisory Committee 2016 Chair and Vice-Chair:** Member Moohr nominated Lisa Hughes as Chair and Wallace Rodecker as Vice Chair. Treasurer Freidenrich seconded the nomination. Member Hammond observed that Hughes and Rodecker were Chair and Vice Chair in 2015 and that it was good past policy to rotate the Chair and Vice Chair and that the same people in the position should not serve consecutively. Ms. Luster stated that there was no formal policy preventing Committee Members from serving as Chair or Vice Chair consecutively. It may be past practice. Member Hammond recommended that the previous Vice Chair, Mr. Rodecker, serve as Chair and another Committee Member serve as Vice Chair. Mr. Moohr stated that he thought the current team had done a very good job this past year. Chair Hughes indicated that there is a learning curve with the position and that it is beneficial to remain in the position an additional year. All PFAC members voted yes, with Member Hammond opposing.
- IV. **Receive and File Public Finance Status Report:** Public Finance Director, Suzanne Luster, presented a status report of significant actions taking place since the meeting of December 10, 2015.

Ms. Luster reported that on December 28, 2015, Standard and Poor's credit rating agency upgraded the County's issuer rating from AA to AA-plus.

Ms. Luster reported that on December 15, 2016 the Board of Supervisors approved the 2016 Pension Obligation Bonds Series A and were sold, providing a savings to the County of a little over \$16 million.

Ms. Luster reported that the County would not be pursuing a public financing of the 800 MHz backbone. The Sheriff's department negotiated a lower cost that originally estimated

and most of the Orange County cities that had initially expressed interest in financing participation, opted out. A public financing no longer made sense. The cost will be programmed through the County's strategic financial plan and budget process.

A receive and file of the status report was moved by Treasurer Freidenrich and seconded by Member Rodecker. The item was approved unanimously.

- V. **Approve terms of issuance of South Orange County Public Financing Authority, Central Utility Facility, Lease Revenue Bonds, Series 2016:** Ms. Luster provided an overview of the Central Utility Facility (CUF) project and the proposed lease revenue financing structure. During the course of the staff presentation, Committee Members discussed the project and the finance structure and asked several questions of County staff and finance team consultants including:

Mr. Moohr asked how the 12.2 million or 13% savings estimate was arrived at. Barbara Tidball of Orange County Public Works responded that the savings was an engineer cost estimate of the project cost and not based on the project cost.

Treasurer Freidenrich asked if CUF upgrade plans take into consideration the recently approved Civic Center Master Plan, Phase I approval. Ms. Tidball confirmed that the County is preparing for future piping connections in the upgrade and that the capacity can be accommodated.

Member Hammond referred to large construction contract cost overruns and asked how confident the County was with the engineer project cost estimates. Ms. Tidball responded that the contractor reviewed design drawing prior to completion and is confident in the estimate. The estimate also includes 10% contingency.

There were several questions regarding the lease structure and the pledge of assets, which was discussed by the Committee and explained by Ms. Luster.

Chair Hughes asked how much it was costing the County in repairs to keep the CUF operating. Ms. Tidball responded that the County was spending about \$500,000 per year in temporary repairs to keep the facility operating until the upgrade occurs.

Chair Hughes and other members expressed concern regarding the overlap of debt service between the Cogeneration Facility Bonds and the CUF Upgrade Bonds. Ms. Luster responded that the Cogeneration Bonds have \$7.8 million outstanding and will mature in June 2018. The bond debt service is programmed into the County's Strategic Financial Plan and the Fiscal year 2016-17 Budget. The County could not wait an additional two years to complete the upgrade due to the physical risk of facility failure and service interruption, interest rate risk of an anticipated rising interest rate environment, and escalating construction costs.

Member Hammond asked if the estimated total interest cost of 3.2% was reasonable. Scott Gorzeman of Wells Fargo Securities responded that interest rates had not varied much in the previous month and that Wells Fargo believed that 3.2% was the market rate. Treasurer Freidenrich also confirmed that the rate was similar to a school district bond transaction that was recently completed.

Member Hammond raised the question regarding the County's capital asset depreciation practices and why the County had not set aside reserves to replace or upgrade the CUF and other facilities without issuing debt. Ms. Luster responded that the County does depreciate and would work with the Auditor-Controller staff to verify that the County follows Generally Accepted Accounting Principles. Ms. Luster added that the County does have certain restricted reserves and general reserves and it was the County's goal to continue to strengthen reserves. Setting aside reserves for a specific use is a Board decision handled in the Strategic Financial Plan and budget process. Ms. Luster agreed to work with Mr. Woolery and other staff to agendize a report of the County's depreciation policy and the topic of capital asset reserves for a future meeting.

Treasurer Freidenrich made a motion to approve the agenda item. Member Hammond seconded the motion. The agenda item was approved unanimously.

- VI. Committee Comments:** Chair Hughes reported that she was advised that if a Committee Member will be absent, but would like to participate in the meeting, that an arrangement for a telephonic participation may be arranged. Angie Daftary, Senior Deputy County Counsel advised that this type of arrangement would need to be agendized and posted at least 72 hours in advance, including a posting at the location the Committee Member would be calling from.

Member Hammond commented on the cancellation and the re-scheduling of the April 21, 2016 meeting due to the agenda not being posted timely and asked if anything was being done to prevent from happening in the future. Ms. Luster responded that it was an oversight and expressed appreciate of the Committee's understanding and flexibility. Ms. Luster further stated that a procedure would be developed to prevent a re-occurrence.

- VII. Public Comment:** None

- VIII. Date of next meeting:** April 21, 2016 at 1:30 pm

- IX. Adjournment:** The meeting was adjourned at 3:15 PM.