



## Public Financing Advisory Committee

### Regular Meeting

Thursday, December 7, 2017 at 1:30 p.m.

Hall of Administration Planning Commission Room

### MEETING MINUTES

- I. **Call to Order/Instructions/Opening Remarks:** Meeting called to order by Chair Rodecker at 1:33 p.m.

**Attendees:** Shari Freidenrich (Treasurer-Tax Collector), Thomas Hammond (Committee Member), John J. Moohr (Vice Chair), Wallace Rodecker (Chair), Eric Woolery (Auditor-Controller), Michelle Aguirre (Chief Financial Officer), Suzanne Luster (Public Finance Director), and Nikhil Daftary (County Counsel). Carl Groner (Committee Member) arrived at 1:35 p.m.

**Absent:** None.

- II. **Approval of Minutes of September 7, 2017 Special Meeting:** Member Hammond made a motion to approve the meeting minutes, Vice Chair Moohr seconded, approved unanimously.
- III. **Approval of Public Financing Advisory Committee 2018 Calendar of Meetings:** Vice Chair Moohr made a motion to approve the calendar of meetings, Auditor-Controller Woolery seconded, approved unanimously.
- IV. **Approve recommending to the Board of Supervisors the issuance of short-term Taxable Pension Obligation Bonds, 2018 Series A in an amount not to exceed \$406 million:** Treasurer Freidenrich stepped down from the dais and recused herself from this item.

Vice Chair Moohr made a motion to approve the item, motion was seconded by Auditor-Controller Woolery. Suzanne Luster, Public Finance Director, provided an update of the County's long-term strategy to pay down the County's portion of the Unfunded Actuarial Accrued Liability and stated OCERS reported year-to-date calendar net earnings through October 2017 is 12.2%.

Victoria Ross, Public Finance Manager, presented the item to PFAC. Ms. Ross stated that on September 7, 2017, PFAC approved recommending the financing in concept to the Board of Supervisors and the Board approved on September 26, 2017. OCERS approved a 4.5% discount rate to plan sponsors to prepay their annual pension contributions by January 16, 2018. The gross savings to the FY 18-19 County Budget is \$18 million and estimated net budget savings of \$11 million. The interest rate for this financing is a not to exceed 3%, however the actual interest rate is estimated to be 1.93%. The bonds are expected to be structured with four fixed rate maturities with estimated yield ranging from 1.62% on the shortest maturity and 2.03% for the final maturity in April 2019. Vice Chair Moohr asked if the Federal Reserve's interest rate increase will impact the financings interest rate and Ms.

Ross stated the interest rate may rise from 1.93% to slightly above 2.0%. Last year's bonds were issued with five fixed rate maturities, however this year will be structured with four fixed rate maturities based on an increase in the County's available cash and to save on interest costs. Certain departments have opted out of the financing and will pay their portion of the pension contribution prepayment through their available resources. Departments paying directly is approximately \$30 million, reducing the financing to \$375 million.

Member Groner asked about the not to exceed 3% interest rate. Ms. Luster and David Brodsky with KNN Public Finance responded to Member Groner's questions. Mr. Brodsky stated that if the market conditions caused the interest rate to be 3%, the savings would decrease by \$5 million from \$11 million to \$6 million.

Chair Rodecker called for a vote, and the recommended actions were approved unanimously.

**V. Approve recommending to the Board of Supervisors the issuance of South Orange County Public Financing Authority Special Tax Revenue Bonds in an amount not to exceed \$65 million:**

Vice Chair Moohr made a motion to approve the item, motion was seconded by Treasurer Freidenrich. Louis McClure, Public Finance Manager, presented the item to PFAC. The financing is a refunding of three Community Facilities Districts (CFDs) in Ladera Ranch for interest rate savings. The purpose of the financing is to pass along the interest rate savings to property taxpayers in the districts in the form of lower Mello Roos taxes. This financing includes pooling three CFDs to achieve economies of scale and efficiencies in issuance costs. The interest rates on the current outstanding bonds range between 4.25% and 5%. The expected interest on the new bonds are estimated between 1.3% and 3%. The lower interest rate results in an estimated savings of \$8.8 million over the remaining life of the bonds. This savings is estimated to be \$231 per parcel per year. On December 1, 2017, Standard & Poor's Global Ratings issued their report and based on growing assessed values, improved value-to-lien, and low delinquency rates, the assigned rating for the proposed transaction is an A- which is an upgrade from the current rating of BBB+.

Vice Chair Moohr asked if the documents included any changes other than interest rate and Treasurer Freidenrich asked questions regarding taxes. Mr. McClure, Lawrence Chan with Stradling Yocca Carlson & Rauth, and Sara Brown with Stifel Nicolaus & Company provided details of the financing.

Chair Rodecker called for a vote, and the recommended actions were approved unanimously.

**VI. Approve recommending to the Board of Supervisors the issuance of County of Orange Reassessment District No. 17-1R (Newport Coast Phase IV) Limited Obligation Improvement Refunding Bonds in an amount not to exceed \$32,055,000:**

Member Hammond made a motion to discuss the item, motion was seconded by Treasurer Freidenrich. Louis McClure, Public Finance Manager, presented the item to PFAC. The financing is a refunding of four Assessment Districts (ADs) in Newport Coast to be pooled together into one Reassessment District. The purpose of the financing is to pass along the

interest rate savings to property taxpayers in the ADs. The interest rates on the current outstanding bonds range between 4.6% and 5.75%. The expected interest on the new bonds are estimated between 1.3% and 3.2%. The total estimated savings is \$5.4 million over the remaining life of the bonds. This savings is estimated to be \$660 per parcel per year. A rating presentation was made to Standard & Poor's Global Ratings and based on strong value-to-lien, diverse tax base, low delinquencies, and strong house-hold income in the area, this bond deal was assigned a rating of A. The bonds were not previously rated as this is the first refinancing of the current bonds.

Member Hammond asked about the reassessment lien process. Jerry Wen with David Taussig & Associates explained the process to the committee. Katie Koster with Piper Jaffray & Company provided details of the financing.

Member Groner asked staff of the process to review debt for possible refinancing for cost savings. Ms. Luster stated that the County's Debt Management Policy, Debt Administration section includes the County will monitor outstanding debt. Ms. Luster stated that County debt gets priority when analyzing debt refinancing for savings. CFDs and ADs were maturing in the near future and vendors do bring debt savings opportunities to Public Finance's attention.

Auditor-Controller Woolery left the meeting at 2:44 p.m. before voting on this item. Member Hammond made a motion to approve the item, motion was seconded by Member Groner. Chair Rodecker called for a vote, and the recommended actions were approved unanimously.

**VII. Public Comments:** None

**VIII. Committee Comments:** Member Hammond distributed a draft PFAC Chair/Vice Chair election memo. Chair Rodecker directed staff to agenized the review of the draft election memo for the next meeting.

**IX. Date of next meeting:** January 11, 2018

**X. Adjournment:** Meeting adjourned at 3:03 p.m.