SUMMARIZED MINUTES OF THE
PUBLIC FINANCING ADVISORY COMMITTEE
Thursday, October 11, 2012 at 1:30 P.M.
Hall of Administration
3rd Floor, CEO Main Conference Room

Committee Members: Thomas Hammond, Chairman; Carl Groner, Vice Chairman; Lisa Hughes, Committee Member; Wallace Rodecker, Committee Member; Shari Freidenrich, Treasurer Tax-Collector; Jan Grimes, Chief Deputy Auditor-Controller,

County Representatives Present: Angie Daftary, County Counsel, CEO/Public Finance: Suzanne Luster, Interim Public Finance Director; Richard Mendoza, Louis McClure, Laurie Sachar, Anil Kukreja, Susie Ortiz, Diane Wittenberg

Absent:

1. **Call to Order**: The meeting was called to order at 1:30 P.M by Chair Hammond.

2. **Approval of Minutes of May 10, 2012:** Committee member Freidenrich moved to approve the minutes. The motion was seconded by Committee Member Rodecker. Frank Kim abstained due to him not being in attendance. The minutes were approved.

3. **Status Report on PFAC Compensation Committee Training Schedule – Receive & File:** Ms. Luster presented Item #3.

   Chairman Hammond stated that one of the issues for this is that PFAC in recent months has had difficulty getting a quorum. "Of course we had a big turnover of members as well and I argued that it made certainly the public finance manager's job more difficult and the committee's job more difficult." He stated that $200 is not going to be a driving force for any particular member, but on the other hand it does impose a little bit of an obligation to participate. Mr. Hammond stated that he spoke with Supervisor Bates about vacancies and urged her to try to get PFAC's vacant seat filled so that the Committee can have five members since it is difficult to get a quorum.

   Committee Member Freidenrich moved to receive & file. The motion was seconded by Chair Hammond.

4. **Approval of Financing Team for Proposed Tustin Regional Park and Dana Point Harbor Revitalization Projects Tax & Revenue Anticipated Notes Update – Verbal Presentation:** Mr. Mendoza presented Item #4.

   Chairman Hammond inquired if it is even possible that this proposed transaction would happen in 2013 and maybe not 2014 or 2015. Mr. Denny (from Tustin Park) stated that they would like to go to market in 2013 to secure the financing and be ready to secure the demolition process and ultimate construction of the park. He stated: "We are still going through a process with the Department of Navy and National Park Service for conveyance of the park property and the board has recently selected an architect and engineering team to do the general development plan for the park itself." Chairman Hammond asked for general background about the Tustin facility. Mr. Denny shared some exhibits and a presentation that was made before the Board of Supervisors when they approved the Concept Plan and cost estimates. Mr. Denny stated that the proposed regional park location is in the center of the former Marine Corps Air Station in Tustin and includes building 28, which was the North Blimp hangar; one of the two blimp hangars that was at the site. Mr. Denny continued that the surrounding area has either been conveyed or is in the process of conveyance. Moreover, adjacent directly to the park location (to the west) is a parcel that will be conveyed to the South Orange County Community College District, and a parcel to the south is a parcel that was conveyed to the City of Tustin. Mr. Denny stated that to the east there will be residential properties, a community park and a high school. The high school will go to the Tustin Unified School District and to the north is all existing residential that was developed through the economic development conveyance through the City of Tustin. Chairman Hammond inquired about how the revenues and expenses work. Mr. Hammond asked: "Are we realizing some revenue from the sale of the residential to pay for the park? How is this going to work?" Mr. Denny distributed a document to the Committee to address Mr. Hammond's question. He stated that the staff report identifies the potential use of certain property taxes that are specific to the former Harbors, Beaches and Parks District, now known as County Service Area 26. As a part of the county's bankruptcy Plan of Adjustment, the state legislature redirected certain funds from both County Service Area 26 and the Orange County Flood Control District. That redirection was to take place over a duration of 20 years and is about to come to an end. He stated that the document distributed to the Committee identifies the payments made to date and includes projected payments through fiscal 20'15-16. Mr. Denny added that the proposal that his staff would like to work on with the financial advisor and underwriter is to secure the future revenues and pledge them to the bonds to fund the construction of the park. He concluded that operations and maintenance will be included in the annual OC Parks budget once the facility has been developed.

Mrs. Hughes inquired if the proposal is to take the bankruptcy money and use it for the Tustin Regional Park project. Mr. Denny stated that the money is currently pledged to bankruptcy debt, that the bankruptcy debt will be paid in 20'15-16, and that the diversion (the state law diverting that money) will end in fiscal year 20'16-17. Subsequently, those Park revenues will return to OC Parks. Mr. Denny stated that the proposal is to borrow against those revenues for the purpose of construction and then go through a process of payback using that revenue.

Chairman Hammond inquired if what is being proposed is to have the County continue to pay the same amount of money into the parks fund. Mr. Denny clarified that the "bankruptcy money" is Tustin Park money (diverted during the bankruptcy to help pay bankruptcy debt service) and belongs to the special district called the Harbors, Beaches and Parks District. The Board of Supervisors dissolved that district and created a successor agency called County Service area 26. That successor agency receives a discreet portion of the property tax.

Committee member Freidenrich inquired about where the dollars were coming from. "I do see them coming from the senate bill. As treasurer, I am required to send out the property tax bills and it indicates that the county is supposed to display a specific notice on the bills regarding the county recovery imposing a state mandated local program. I know most of the SB90 mandated programs have gone, and I don't recall us doing anything on that. So, is there something that one, we should be doing currently on our tax bills that is there and I just missed?" Mr. Denny replied that he read that as well and stated that the way he interpreted was that Treasurer Staff most likely included that language in the December 1995 tax bill. He continued that he was actually going to follow up with Treasurer Staff to see if the requirement was completed at that time. He concluded that the way that it's written, it's not clear that it's an ongoing legal requirement and was probably just the first tax bill after that bill was signed.

Committee member Freidenrich inquired if the bonds were to be sold, how would any principal and interest be covered in the interim before these dollars would become available to pay any debt service. Mr. Denny stated that his team would discuss those details with the financing team.

Mrs. Hughes commented that with the state taking other County money and moving things around, "if there is any possibility that the legislature could intervene and redirect these monies to a state purpose or another purpose?" Mr. Denny stated that it is certainly possible prior to the financing.

Committee member Rodecker inquired if this was money that was supposed to go to that fund, but was redirected because of the bankruptcy financing; also, "are you going to be leaving one of the hangers, was that the plan?" Mr. Denny stated, "yes", that inside those 85 acres is the North Blimp hangar and the concept plan is to keep the hanger and restore and adaptively reuse it as a large, special event venue.

Chairman Hammond mentioned that he could understand the proposed request to select a financial advisor at this point, but questioned the feasibility of selecting an underwriter, given the proposed timing of the actual financing. Ms. Luster responded that certainly that's at the Committee's and Board's discretion, but staff thought it would be beneficial to have an underwriter as part of the team in developing a financing plan and structure.

Scott Worsman, of Wells Fargo (the proposed underwriter) spoke of the value that an underwriter would offer early in the planning phase given the current interest environment; including, discussions of alternative options such as borrowing incrementally through a line of credit to finance some aspects of the proposed project at less than 1 percent as opposed to financing $50 million in CAB's (Capital Appreciation Bonds).

Chairman Hammond inquired about where the County is at in terms of getting through all of the approvals from the Coast Commission and the EIR reports and so on. Mr. Gross (of Dana Point Harbor) stated they are at the final SEIR phase with respect to the marina rebuild, and the EIR for the actual shops and restaurants was completed years ago. Mr. Gross stated that Dana Point Harbor received unanimous approval from the Planning Commission for the Board to recommend certification of the final SEIR. With respect to the Coast Commission process, Dana Point Harbor has completed that process and is currently working with the architects and engineers. In March of this year, the County entered into an agreement with the architects and engineers for a six year project to do the planning.

Chair Hammond asked about the cost that will be incurred prior to the financings, and if such costs would be reimbursed with the financing; "what is the scope of the expenses prior to the financing from now until 2013 in the case of the Tustin Base and 2014 in the case of Dana Point?" Mr. Mendoza stated that cost with respect to the consultants would be on a contingency basis.

Committee member Hughes moved to approve the item. The item was unanimously approved.

5. **Approval in concept of the issuance of short-term Taxable Pension Obligation Bonds to prepay the County's Fiscal Year 2013-14 pension obligation and selection of financing team:** Mr. McClure presented Item #5

   Chairman Hammond inquired if the County was current on retiring the 2012 Bonds. Mr. McClure answered that there are five different maturities and that the County was current. Committee member Groner inquired about the cost savings achieved by using the same groups year in and year out. Mr. McClure answered that many of the disclosure documents change each year but there are efficiencies related to updating some of the documents. Mr. McClure added that charges related to the 2007 court validation process are not charged each year so the costs were reduced after 2007.
   Committee member Rodecker moved to approve the item. The motion was seconded by Committee member Freidenrich. The item was unanimously approved.

6. **Training Session – Verbal Presentation:** Presentation by Paul Mc Donnell, Managing Director, C.M. De Crinis & Co.
   - **"Funding the Teeter Plan"**

Public Comment: There was no public comment.

Additional Comment: None

Adjournment: The meeting was adjourned at 3:00 P.M.