



**SUMMARIZED MINUTES OF THE
PUBLIC FINANCING ADVISORY COMMITTEE
Thursday, December 11, 2014 at 1:30 P.M.
Hall of Administration
Planning Commission Room**

Committee Members: Chair, Lisa Hughes; Vice-Chair Carl Groner; Committee Member Thomas Hammond; Committee Member, John J. Moohr; Shari Freidenrich, Treasurer-Tax Collector; Jan Grimes, Auditor-Controller; Frank Kim, Chief Financial Officer

County Representatives Present: Angie Daftary, County Counsel; CEO/Public Finance: Suzanne Luster, Public Finance Manager; Louis McClure

Committee Members Absent: Committee Member, Wallace Rodecker

- 1. Call to Order:** The meeting was called to order at 1:30 P.M by PFAC Chair Lisa Hughes.
- 2. Approval of the Minutes of October 16, 2014 Meeting:** PFAC Chair Lisa Hughes asked for a motion to approve the minutes of the October 16, 2014 PFAC meeting. Committee Member Hammond observed that the minutes were very abbreviated.

Chair Hughes moved that the minutes of the October 16, 2014 PFAC meeting not be approved. Member Moohr seconded; the motion to not approve the October 16, 2014 PFAC minutes was unanimously approved. Ms. Luster, agreed to have the minutes re-written and presented to the PFAC at the next meeting.

- 3. Approval of Public Finance Advisory Committee 2015 Calendar of Meetings:** Chair Hughes asked for a staff summary of the action item. Ms. Luster, Public Finance Manager, explained that with the exception of February when the second Thursday of the month falls on a County holiday, all other proposed PFAC meeting dates are in keeping with the practice of having meetings on the second Thursday of the month.

Chair Hughes asked for a motion to approve the 2015 PFAC calendar. Member Freidenrich moved the motion, Member Hammond seconded; the 2015 PFAC calendar of meetings was approved unanimously.

- 4. Approve the issuance of short-term Taxable Pension Obligation Bonds, 2015 Series A in an amount not to exceed \$365 million:** Chair Hughes asked for a staff summary of the action item. Ms. Luster, Public Finance Manager, asked Mr. Louis McClure of the Public Finance unit to present the item. Mr. Louis McClure reminded the Committee that on October 16, 2014, PFAC approved in concept the issuance of the short-term Taxable Pension Obligation Bonds and the selection of the financing team. Mr. McClure informed the Committee that whereas in 2014 the POB's were sold exclusively to the Orange County Treasurer, this year due to favorable market conditions and the fact that the Treasurer will be holding

approximately \$230 million of last year's POB's, the County will go to market for public sale of the bonds.

Mr. McClure explained that the 2015 POB's will be structured with five fixed-rate maturities with estimated yields ranging from .425% for the shortest maturities to .80% for the final maturities scheduled for June 2016. Mr. McClure explained that because some County agencies have sufficient cash to prepay their pension obligation on their own, the total proposed final 2015 POB amount is expected to be \$340 million. Mr. McClure stated that the estimated savings from the prepayment of the \$340 million, is \$17.9 million after interest and cost of issuance.

Mr. McClure explained that to best market the bonds the finance team analyzed various rating scenarios and determined that two ratings from Standard and Poor's and Fitch would be the most beneficial for the sale of the bonds. Mr. McClure advised that Fitch informed the County that they would rate the POBs at AA and F1+, the same rating received for the 2013 POB's. Mr. McClure stated that the County remains optimistic that Standard and Poor's will assign a comparable favorable rating. Mr. McClure stated that if approved by PFAC and the Board of Supervisors, the financing team will issue the bonds before January 15, 2015 which is when the payment is due to the Orange County Employees Retirement System (OCERS).

Chair Hughes asked for questions or comments regarding the proposed transaction. Member Hammond asked for clarification of the structuring of the five maturities. Mr. McClure mentioned that the structuring of the five maturities is matched with the funds available from the County to pay the debt service. Member Hammond asked Member Freidenrich if the Treasurer would be participating in the purchase of the 2015 POB's. Member Freidenrich advised that the Treasurer would be monitoring the open market and their portfolio balances to determine if the Treasurer will be participating in the purchase of a portion of the POB's. Member Freidenrich informed the Committee that the Treasurer is limited to no more 10% of its portfolio that can be used to invest in County securities.

A discussion ensued regarding the OCERS 5.8% discount rate for the 2015-16 pension prepayment. PFAC directed staff to present a draft resolution for Board consideration requesting that OCERS reinstate the full 7.25% discount rate for future pension prepayment options.

Chair Hughes asked for a motion to approve the short-term Taxable Pension Obligation Bonds, 2015 Series A in an amount not to exceed \$365 million. Member Hammond moved the motion, Member Grimes seconded; item 4 on the agenda as stated was approved unanimously.

5. Adjournment: The meeting was adjourned at 2:20 p.m.