



**SUMMARIZED MINUTES OF THE
PUBLIC FINANCING ADVISORY COMMITTEE
Thursday, December 12, 2013 at 1:30 P.M.
Hall of Administration
Planning Commission Room**

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

County Representatives Present: Angie Daftary, County Counsel; CEO/Public Finance: Suzanne Luster, Public Finance Manager; Laurie Sachar, Louis McClure, Richard Mendoza, Anil Kukreja

- 1. Call to Order:** The meeting was called to order at 1:30 P.M by Chairman, Thomas Hammond.
- 2. Approval of the Minutes of October 10, 2013:** Chairman Hammond asked for an update of the refunding of the Orange County Development Agency Tax Allocation Bonds (TABs), Santa Ana Heights Project. Ms. Luster, Public Finance Manager, reported that the financing received a higher than anticipated rating of A- from Standard and Poor's, the bonds would be priced on the week of December 16th, and that the financing would close on the first week of January 2014.

Chairman Hammond asked for a motion to approve the minutes of the October 10, 2013 meeting. Committee Member Hughes moved to approve, Committee member Moohr seconded. The minutes were approved unanimously.

3. Approval of Public Financing Advisory Committee 2014 Calendar of Meetings.

Committee member Hughes asked if the election of PFAC officers, which is scheduled for the first meeting in the calendar year, could be postponed until the second meeting. Ms. Luster confirmed. The Committee agreed that, to accommodate the PFAC ByLaws, the election of PFAC officers would be agendized for the January meeting and postponed for action until the February meeting.

Chairman Hammond asked for a motion to approve the PFAC 2014 Calendar of meetings. Committee Member Moohr moved to approve, Committee member Hughes seconded. The PFAC 2014 Calendar of meetings was approved unanimously.

4. Approval of issuance of short-term Taxable Pension Obligation Bonds to prepay the County's Fiscal Year 2014-15 pension obligation.

Mr. McClure, Public Finance, provided a summary of the proposed 2014-15 short-term pension obligation bonds (POBs). Mr. McClure reported that a direct purchase

by the Treasurer is scheduled for the bonds and that the estimated savings is \$21 million after issuance and interest cost.

Several questions ensued regarding the purchase of the bonds by the Treasurer, the options that the County has if the anticipated ratings do not meet the Treasurer's rating requirements, the potential conflicts of interest that surface as a consequence of the Treasurer voting for the POBs, and the lack of bond and County counsel opinions in the final documents. Ms. Freidenrich, Treasurer-Tax Collector, described the independent credit review conducted by the Treasurer's Office to determine that the purchase was a suitable investment for the portfolio. Ms Freidenrich also informed the Committee that she would abstain from voting. Deputy County Counsel, Angie Daftary, further described steps taken to ensure an "arms length transaction". Counsel Daftary stated that a separate County Counsel Deputy was appointed to advise the Treasurer on the POB purchase transaction, as Counsel Daftary would be conflicted in her dual role as Counsel assigned on a daily basis to CEO/Public Finance and to the Treasurer /Tax Collector Department. Counsel Daftary stated that there was an "Ethical Wall" and Counsels did not share privileged information and that this method of assigning counsel is permissible pursuant to an Attorney General Opinion. All agreed that the issue of conflict and the Treasurer's abstention should have been stated prior to the introduction of the agenda item instead of during the course of discussion. Committee member Hughes expressed concerns about the Bond Purchase Agreement (BPA) not speaking to the Treasurer's options if the bonds do not meet the rating requirements. Don Field of Orrick Herrington and Sutcliffe, Bond Counsel stated that staff is requesting approval on behalf of the County. It would be up to the Treasurer/Tax collector to determine if she would want to continue the transaction if an A+ rating was not achieved. Treasurer Freidenrich stated that the purchase would likely be 100% in the extended fund, which does not require a rating. She further stated that if the rating was one notch less, she did not anticipate any problem. If the rating was below that or not investment grade she would reserve the right to re-evaluate. Public Finance Manager, Suzanne Luster, stated that staff would review the Bond Purchase Agreement for improvements that could be made in the future to ensure accuracy and a transparent process. Chairman Hammond, asked that the minutes reflect that PFAC is relying on staff for the accuracy and truthfulness of the documents and if that action would satisfy Committee member Hughes concerns regarding the lack of bond and County counsel opinions and reference to Treasurer options if the anticipated ratings are not achieved. Committee member Hughes stated that she was not satisfied with the proposed action and that she was not comfortable with the proposed investment action, irrespective of the rating. Committee member Hughes added that although she had very high regard for the Treasurer, she was concerned with the impression of impropriety.

Chairman Hammond asked for a motion to approve the issuance of short-term taxable pension obligation bonds. Committee member Grimes moved the motion, Committee member Hammond seconded, the motion was approved by majority vote as follows:

Chairman Hammond – Yes
Committee Member Grimes - Yes
Committee Member Moohr – Yes
Committee Member Hughes – No
Committee Member Freidenrich – Abstain

5. Approval of Issuance of the South Orange County Public Financing Authority Special Tax Revenue Bonds, Series A and B.

Ms. Laurie Sachar, Public Finance, provided a summary of the proposed refunding that included background information on Community Facilities Districts 2002-1 and 2003-1 (Ladera Ranch), the proposed structure of the financing and estimated savings.

A series of inquiries ensued regarding the savings per parcel, the benefit to the property owners, the public/private sale structure, and the Series A versus Series B components of the proposed transaction.

Andrea Roess, from David Taussig & Associates (Special Tax Consultant); and Katie Koster, from Piper Jaffray (Underwriter) responded to the inquiries.

Frank Kim, Chief Financial Officer, proposed a recommendation from the Committee to the Board that the Treasurer/Tax Collector develop a means of notifying the property tax payers of a decrease in the amount of their special taxes. The Committee concurred with Mr. Kim's recommendation.

Chairman Hammond asked for a motion to approve the issuance of the South Orange County Public Financing Authority Special Tax Revenue Bonds, Series A and B. Committee Member Moohr moved to approve, Committee member Hughes seconded. The issuance of the South Orange County Public Financing Authority Special Tax Revenue Bonds, Series A and B were approved unanimously.

6. Adjournment: The meeting was adjourned at 3:10 p.m.