

PUBLIC FINANCING ADVISORY

COMMITTEE *Thursday, July 14, 2016, 1:30 P.M*

HALL OF ADMINISTRATION
First Floor, PLANNING COMMISSION ROOM
333 W. Santa Ana Blvd.
Santa Ana, CA. 92701

LISA HUGHES
CHAIR (Second District)

JOHN J. MOOHR
Committee Member (First District)

WALLACE B. RODECKER
Vice Chair (Fourth District)

CARL GRONER
Committee Member (Third District)

TOM HAMMOND
Committee Member (Fifth District)

SHARI L. FREIDENRICH
Treasurer-Tax Collector

ERIC H. WOOLERY
Auditor-Controller

Frank Kim, CEO
EX-OFFICIO Member

Public Finance Director
Suzanne Luster

County Counsel
Angie Daftary

Clerk of the Committee
Sarah Rangel

*Michelle Aguirre,
Chief Financial Officer
Alternate Member

The Public Financing Advisory Committee welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Committee encourages your participation. If you wish to speak on an item contained in the agenda, please notify the Clerk. If you wish to speak on a matter which does not appear on the agenda, you may do so during the Public Comment period at the close of the meeting. Except as otherwise provided by law, no action shall be taken on any item not appearing in the agenda. When addressing the Board, please state your name for the record prior to providing your comments.

ADMINISTRATIVE MATTERS: (Items 1-6)

At this time, members of the public may ask the Committee to be heard on the following items as those items are called.

1. Call to Order
2. Approval of Minutes of April 28, 2016 Meeting
3. Receive and File Public Finance Status Report
4. Approve qualified panels of Municipal Advisor and Bond/Disclosure Council for future County of Orange

Financings.

5. Call for Public Comments

At this time members of the public may address the Committee on any matter not on the agenda but within the jurisdiction of the Committee. The Chairman may limit the length of time each individual may have to address the Committee.

6. Adjournment

ASSISTANCE FOR THE DISABLED:

If you are disabled in any way and need accommodation to participate in this meeting, please call the Clerk of the Committee at 714-834-3758 to enable staff to make reasonable arrangements to ensure accommodation and accessibility to this meeting at least 3 working days prior to the meeting.

NEXT MEETING:

The next regularly scheduled Public Finance Advisory Committee meeting will be held on **August 11, 2016, 1:30 PM** in the Hall of Administration, First Floor, Planning Commission room, 333 W. Santa Ana Blvd., Santa Ana, CA 92701



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.



AGENDA STAFF REPORT

MEETING DATE: 07/14/2016

BOARD OF SUPERVISORS DISTRICT(S): All

SUBMITTING AGENCY/DEPARTMENT: County Executive Office

DEPARTMENT CONTACT PERSON(S): Suzanne Luster (714) 834-3362

SUBJECT: Receive and File Public Finance Staff Report

Budgeted: N/A	Current Year Cost: N/A	Annual Cost: N/A
Staffing Impact: No	# of Positions: N/A	Sole Source: N/A
Current Fiscal Year Revenue: N/A		
Funding Source: N/A	County Audit in last 3 years: N/A	

Prior Board Action: N/A

RECOMMENDED ACTION(S):

1. Receive and File Public Finance Staff Report.

BACKGROUND INFORMATION:

Central Utility Facility (CUF) Lease Revenue Bonds, Series 2016

On May 9, 2016, Standard and Poor's (S&P) rated the CUF bonds AA and affirmed the County's AA-plus issuer credit rating.

On May 10, 2016 the Board of Supervisors unanimously approved the issuance of the CUF Lease Revenue Bonds, Series 2016.

The \$56,565,000 CUF bonds were priced through negotiated bid on May 24, 2016. The True Interest Cost (TIC) is 2.8285%, which includes \$288,509 cost of issuance. The yield ranges from .62% for a 2017 maturity, to 2.61% for a 2036 maturity.

The County's pricing compares favorably to Santa Clara County's May 25, 2016 competitively priced \$168,345,000 Lease Revenue Bonds. The bonds are rated AA-plus, which is higher than the CUF AA rating. The bonds are also for a twenty year term. The Santa Clara County Lease Revenue Bond TIC is 2.8405%.

The County completed the CUF Upgrade financing transaction on June 2, 2016.

FINANCIAL IMPACT:

N/A

STAFFING IMPACT:

None

ATTACHMENT(S):

None



AGENDA STAFF REPORT

MEETING DATE: 07/14/2016

BOARD OF SUPERVISORS DISTRICT(S): All

SUBMITTING AGENCY/DEPARTMENT: County Executive Office

DEPARTMENT CONTACT PERSON(S): Suzanne Luster (714) 834-3362
Susie Ortiz (714) 834-3662

SUBJECT: Approval of qualified panels of Municipal Advisor and Bond/Disclosure Counsel for future County of Orange financings.

Budgeted: N/A	Current Year Cost: N/A	Annual Cost: N/A
Staffing Impact: No	# of Positions: N/A	Sole Source: N/A
Current Fiscal Year Revenue: N/A		
Funding Source: N/A	County Audit in last 3 years: N/A	

Prior Board Action: Board of Supervisors Resolution 96-78 dated 1/23/1996; PFAC Agenda Items #3 dated 11/18/2010, #7 dated 1/13/2011 and #4 dated 3/10/2011.

RECOMMENDED ACTION(S):

1. Approve the recommended panel of qualified municipal advisor firms (identified herein) to assist in formulating and executing financing structures for the County's financings, and direct County Executive Office (CEO) staff to submit the list of qualified firms to the Board of Supervisors for approval.
2. Approve the recommended panel of qualified bond/disclosure counsel firms (identified herein) to assist in formulating and executing financing structures for the County's financings, and direct CEO staff to submit the list of qualified firms to the Board of Supervisors for approval.
3. Direct CEO staff to complete a new Request for Qualifications for municipal advisor firms in three years and bond/disclosure counsel in four years.

BACKGROUND INFORMATION:

Pursuant to Resolution No. 96-78 approving the Policies and Procedures for Consideration and Approval of Proposed Public Financings, the CEO completed two RFQs for municipal advisor and bond/disclosure counsel firms to advise and assist the County in formulating and executing its short and long-term financings. The RFQs were advertised through the County online bidding system, BidSync. Qualifications were received from a total of seven municipal advisor firms and eight bond/disclosure counsel firms. Qualifications were reviewed and evaluated by review teams comprised of Public Financing Advisory Committee (PFAC) members, the Deputy Airport Director, a County Counsel Deputy, and Public Finance managers.

Firms were requested to provide their experience in working in the following financing areas:

- Certificates of Participation and Lease Revenue Bonds
- Community Facilities and Assessment District Financings
- Single and Multifamily Housing Financings
- Pension Obligation Bonds
- Master Lease Financings
- Airport Revenue Bonds
- Solid Waste Bonds
- Teeter Plan Financing
- Tax and Revenue Anticipation Notes
- Harbor Improvement Bonds
- Public Private Partnership
- Long-Term Strategic Planning
- Debt Defeasance

Based on information provided by the firms, Public Finance staff reviewed each proposal to ensure the firms met the minimum qualifications, compiled raw data on years of experience and number and size of issues completed in the past three years and reviewed and summarized proposals noting any significant litigation or regulatory sanctions. Two separate evaluation panels (one for municipal advisor and one for bond/disclosure counsel) were provided with the raw data, litigation summaries, and the RFQ responses and asked to evaluate each firm and determine which should be recommended to PFAC for consideration. Each evaluation panel included three members. To broaden the pool of qualified financing consultants, panel members were asked to consider firms with a wide range of experience in multiple financing areas as well as firms with more specific expertise in single areas such as housing. Firms recommended by the evaluation panels and approved by PFAC and the Board of Supervisors will be eligible to be considered for future financings as specific needs emerge.

The following are the lists of municipal advisor and bond/disclosure counsel firms recommended by the evaluation panels for PFAC consideration:

MUNICIPAL ADVISORS (7 Firms)

- Acacia Financial Group, Incorporated
- Columbia Capital Management, LLC
- CSG Advisors, Incorporated
- Fieldman, Rolapp & Associates, Incorporated
- Frasca & Associates, LLC
- KNN Public Finance, LLC
- Public Financial Management, Incorporated

BOND/DISCLOSURE COUNSEL (7 Firms)

- Hawkins Delafield & Wood, LLP
- Kutak Rock, LLP
- Nixon Peabody, LLP
- Norton Rose Fulbright US, LLP
- Orrick, Herrington & Sutcliffe, LLP

- Polsinelli, LLP
- Stradling Yocca Carlson & Rauth, a Professional Corporation

Subsequent to the receipt of bond/disclosure counsel Request for Qualifications, the County was notified that the entirety of Sidley Austin's Public Finance law practice transferred to Norton Rose Fulbright. Sidley Austin is on the current panel of qualified bond/disclosure counsel firms. County staff confirmed that all attorneys proposed in the Sidley Austin staffing plan are now employed by Norton Rose Fulbright. Norton Rose Fulbright is recommended by the evaluation panel to remain on the County's panel of qualified bond/disclosure counsel firms. Based on the updated information, Public Finance will not recommend Sidley Austin to remain on the County's panel of qualified bond/disclosure counsel firms.

The County Executive Office requests the Public Financing Advisory Committee to approve the recommended panels (as identified herein) of municipal advisor and bond/disclosure counsel to assist the County in formulating and executing future capital projects and financings. The CEO requests PFAC to direct staff to submit the lists of qualified firms to the Board of Supervisors for approval. The CEO requests PFAC to direct staff to complete a new RFQ for municipal advisors in three years and bond/disclosure counsel in four years. The proposed staggering of future RFQs will help distribute the workload required from staff and evaluation panels and allow re-examination of municipal advisor consulting firms that are more likely to be affected by mergers and dissolutions.

STAFFING IMPACT:

None.

ATTACHMENT(S):

Attachment A – 2016 BC RFQ Summarized Individual Data
Attachment B – 2016 MA RFQ Summarized Individual Data

2016 REQUEST FOR QUALIFICATIONS (BOND/DISCLOSURE COUNSEL) SUMMARIZED INDIVIDUAL EVALUATIONS									
Should firm be included in qualified panel for future financings?	Evaluator #1	Evaluator #2	Evaluator #3	Comments					
1. Hawkins Delafield & Wood, LLP	Yes	Yes	Yes	* Extensive experience nationally and in California					
				* Multiple areas of expertise especially Single					
				and Multi-Family Housing and Master Leases					
2. Kutak Rock, LLP	Yes	Yes	Yes	* Multiple areas of expertise - top firm in expertise in					
				Airport Bonds					
				* Lead attorney has 36 years of experience					
3. Nixon Peabody, LLP	Yes	Yes	Yes	* Extensive experience nationally and in California					
				* Vast recent experience in California in Certificates of					
				Participation/Lease Revenue Bonds, Community Facilities					
4. Norton Rose Fulbright, LLP	Yes	Yes	Yes	* Extensive County of Orange experience - over 20 years -					
				most recent experience with POBs and Teeter Note.					
				* First or tied for first in 9 out of 11 financing areas					
5. Orrick Herrington & Sutcliffe, LLP	Yes	Yes	Yes	requested in the RFQ					
				* Past experience as counsel for the County of Orange					
				* Experience representing California based entities					
6. Polsinelli, LLP	Yes	Yes	Yes	* Sidley Austin's Public Finance group has moved to					
				Norton Rose Fulbright effective 6/2/2016					
				* Represented the County of Orange over 30 years					
7. Sidley Austin, LLP	No	No	No	* Multiple areas of expertise - recent experience in					
				Certificates of Participation/Lease Revenue Bonds,					
				Community Facilities and Assessment Districts, Single					
8. Stradling Yocca Carlson & Rauth, a Professional Corporation	Yes	Yes	Yes	and Multi-Family Housing financings.					

2016 REQUEST FOR QUALIFICATIONS (MUNICIPAL ADVISOR) SUMMARIZED INDIVIDUAL EVALUATIONS							
Should firm be included in qualified panel for future financings?	Evaluator #1	Evaluator #2	Evaluator #3	Comments			
1. Acacia Financial Group, Incorporated	Yes	Yes	Yes	*Expertise in multiple financing areas; especially strong in Master Leases, Solid Waste Bonds and Debt Defeasance.			
2. Columbia Capital Management, LLC	No	Yes	Yes	* Minimal experience in California			
				* Firm has been in the industry for 20 years			
				* Lead advisors have 45 years of experience combined			
3. CSG Advisors, Incorporated	Yes	Yes	Yes	* Top firm in expertise in Single and Multi-Family Housing Bonds and Long-Term Strategic Planning; tied for first in Community Facilities and Assessment Districts financings.			
4. Fieldman, Rolapp & Associates, Incorporated	Yes	Yes	Yes	* Local OC Firm			
				* Extensive County of Orange experience			
				* Expertise in multiple financing areas; especially strong in Community Facilities & Assessment District Financings			
5. Frasca & Associates, LLC	Yes	Yes	Yes	* Past experience as municipal advisor to John Wayne Airport			
				* Significant experience with Airport Bonds			
6. KNN Public Finance, LLC	Yes	Yes	Yes	* Extensive County of Orange experience			
				* Expertise in multiple financing areas; especially strong in Certificates of Participation, Pension Obligation Bonds, Teeter Plan Financing and TRANS			
7. Public Financial Management, Incorporated	Yes	Yes	Yes	* Expertise in multiple financing areas; especially strong in Master Leases, Airport Bonds, Harbor Bonds & Public, Private Partnership			