



## Public Financing Advisory Committee

Thursday, July 14<sup>th</sup>, 2016 at 1:30 pm

Hall of Administration

### MEETING MINUTES

**Attendees:** Lisa Hughes (Chair), Wallace Rodecker (Vice Chair), Thomas Hammond (Committee Member), John J. Moohr (Committee Member), Eric Woolery (Auditor-Controller), Shari Freidenrich (Treasurer-Tax Collector), Carl Groner (Committee Member), Angie Daftary (County Counsel), Michelle Aguirre (Chief Financial Officer), Suzanne Luster (CEO/Public Finance Director)

**Absent:** None

- I. **Call to Order/Introductions/Opening Remarks:** Meeting called to order by Chair Lisa Hughes at 1:35 pm.
- II. **Review and Approval of Minutes:** Meeting Minutes from April, 28<sup>th</sup>, 2016 were approved. Member Rodecker moved the minutes, Member Moohr seconded, approved unanimously.
- III. Suzanne Luster delivered status update of the conclusion of the Central Utility Facility Upgrade bonds that were issued and approved at the April 28<sup>th</sup> 2016 meeting. On May 9<sup>th</sup> 2016 SMP Global Ratings formerly known as Standard & Poor's rated the CUF bonds AA and affirmed the County's AA+ rating. On May 10<sup>th</sup> 2016 the Board of Supervisors unanimously approved the issuance of the CUF Lease Revenue Bonds Series 2016. On May 24, 2016, \$56,565,000 in CUF bonds were priced through negotiated sale through the underwriter Wells Fargo Securities. The true interest cost of 2.8285% was better than the conservative estimate that was provided. The Underwriter and Financial Advisor each provided comps the day before pricing to compare estimated pricing to what was currently happening in the market place on similar transactions. The County's pricing results compare favorably to Santa Clara County's bonds issued on May 25<sup>th</sup> which were rated AA+, a higher rating than County of Orange. Santa Clara County's True Interest cost was 2.8405%. Chairwoman Hughes wanted to know why our cost was lower than Santa Clara County, Ms. Luster explained that the County is very pleased with the job that Wells Fargo did marketing and selling the bonds. Mr. Moohr asked Ms. Luster if she knew the current rate on the bonds after they dropped the interest in which Ms. Luster did not have that information. The County completed the CUF Upgrade Financing Transaction on June 2<sup>nd</sup> 2016. This concluded Ms. Luster's presentation, Chairwoman Hughes asked the Committee Members if they had any questions for Ms. Luster. Treasurer Freidenrich asked Ms. Luster if rates changed between May 24<sup>th</sup> and May 25<sup>th</sup>. Ms. Luster responded by stating that this was not a volatile period. Treasurer Freidenrich then asked what type of premiums were generated, Ms. Luster explained that we don't pay penalties to call bonds at the 10 year point and we generated about \$11.5 million worth in premium. Treasurer Freidenrich then spoke about the disadvantages of premiums. Mr. Moohr then asked if the county has any ability to defease the bonds and buy them at a discount. Ms. Luster responded by stating that the county has purchased their own bonds before, however, she was not 100% confident in answering that question with a yes. Mr. Moohr then asked Treasurer Freidenrich if she has seen that in a school district, however, Ms. Freidenrich was not sure but she did state that

they would be able to purchase in the open market. Ms. Luster clarified that the county has the ability to defease bonds and has done that in the past. Ms. Aguirre added that when this item went to The Board of Supervisors it was noted that after the 10 year period they would still have \$30 million dollars in debt remaining, so through the Strategic Financial Planning process the goal is to look for ways to set aside moneys to pay off that debt early after the 10 years. Chairwoman Hughes asked for a motion to receive and file the Public Finance Status Report, Mr. Hammond moved, Mr. Rodecker seconded, approved unanimously.

- IV. Suzanne Luster presented the Approved Qualified Panels and Municipal Advisor and Bond Discloser Council for future County of Orange. CEO Public Finance requesting approval of the recommended panel of Municipal Advisors, formerly known as Financial Advisors. Recommending a panel of qualified Bond and Disclosure Counsel firms to assist the County in formulating and executing future financings. The county distributed a request for qualifications through Bid Sync, the County's electronic procurement platform. Seven qualification statements were received from Municipal Advisors Firms and eight Bond and Disclosure Counsel firms. Qualifications were reviewed by evaluation panels consisting of PFAC Members, Public Finance Managers, the Deputy Airport Director of Finance and County Counsel Deputy Attorney. Panel members were asked to consider firms with a wide range of experience in multiple financing type areas as well as firms that have specific expertise in Airport Financing or Housing Financing. All seven firms submitting applications for Municipal Advisor are recommended and seven of the eight Bond and Disclosure Counsel firms have been recommended. Subsequently, the county was notified that the Sidley Austin Public Finance Law practice has transferred to Norton Rose Fulbright, who is on our current panel as well as the recommended panel. The county confirmed that all attorneys that were proposed in the qualification did transfer from Sidley Austin to Norton Rose Fulbright and based on that information Public Finance does not recommended Sidley Austin for the current panel going forward. Public Finance requests that the committee approve the panels as recommended. If approved, they will submit the recommendation to the Board of Supervisors for approval at the July 26, 2016 meeting. This concluded Ms. Luster's presentation. Chairwoman Hughes stated that Mr. Moohr and Mr. Hammond attended the meetings on the Municipal Advisor and Bond and Disclosure Counsel. She then asked Mr. Hammond if he had any observations or comments about the Bond and Disclosure Counsel meeting and stated that he will be disqualified from voting. Mr. Hammond stated that he reviewed all of the requests for qualifications and stated that they were all extensive and we have to take them at face value because we do not have the resources to verify. Mr. Hammond saw no reason to disqualify any of the law firms that submitted applications. However, Mr. Hammond did add that the County has had a long and successful relationship with Orrick Herrington & Sutcliffe and Stradling Yocca Carlson & Rauth and he encouraged the other law firms in the room to compete for this business because it's very hard to break into this business. In conclusion Mr. Hammond found all applications to be compatible and satisfactory to serve the county. Chairwoman Hughes wanted to know why the one "no". Mr. Hammond then explained that all of the qualified lawyers from Sidley Austin went to Norton Rose, leaving Sidley Austin without bond experts. Ms. Luster added that it was a total of eighteen lawyers that left Sidley Austin. Mr. Groner then asked Ms. Luster what the policy is around notification of changes as we go forward. Meaning, do we have a policy in place where if a firm has a key personnel change, an ownership structure change, is facing regularity discipline, other actions and things we would like to know after today. Do the firms have an affirmative duty to tell us these things?

Ms. Luster answered by stating that we do not have a policy requiring that notification but the way we learn of this information is when we have a proposed bond financing and we do a specific RFP to our current panel and in return they give us a list of principles and proposed staffing. And we always ask the question about any regulatory, lawsuits, sanctions that have been put on the firm. In fact, we haven't qualified the Bond Counsel Panel since 2011 and since that time there were a couple of firms that were on that panel when we submitted our RFP's they notified us they no longer had a Public Finance practice. Therefore, they would not be submitting. Mr. Moohr asked Chairwoman Hughes if it would be too difficult to put it in our contract a materiality clause in which they would have to notify us. Chairwoman Hughes then directed the question to County Counsel. Ms. Aguirre added that we are currently in the process of updating our contract adding that this is also a concern of the Board of Supervisors and this will be one of the things we will be looking at not only for this contract but for Countywide contracts. Chairwoman Hughes asked the panel if they had a consensus to support such a change in the contract manual, all agreed. Ms. Aguirre stated that she would relate that back to Rob Richardson our Contract Procurement Officer who can communicate that to the sub-committee. Chairwoman Hughes asked Mr. Moohr for his comments on the Municipal Advisor Consultants Meeting. Mr. Moohr stated that they were provided with documentation from all firms and they were asked to study them and submit an evaluation. He stated that on No. 2 there was not consensus and there was a subsequent phone conference and at the end of the conference there was still no consensus. Mr. Moohr had a question that came out of this in which he brought up checking references in which he believes it hasn't been done yet and if we could get it done before we select. Ms. Luster answered by stating that subsequent to the meeting they did check the references on the firms that did not have a consensus. Ms. Luster added that when we do a specific RFP for specific financing, however, we don't always check references. Mr. Moohr wanted to clarify that what Ms. Luster means is they do not check references to put them on the approved list but when it's time to award a contract. Ms. Luster responded by saying that it depends but generally no, we take them at face value and almost all of these firms and in this case are already on our current panel so we have familiarity and knowledge of their work. She clarified that it would be on a case by case basis. Chairwoman Hughes asked why we can't, as a policy check the references. Ms. Luster answered by stating that she understands Chairwoman Hughes' concerns and in the case of the firms that the County has a long track record with they didn't feel the need to check references. Ms. Luster added that going forward if that is the committee's wish they will do so. Treasurer Freidenrich had three items from the ASR guidelines that might be helpful for the next time. One relates to the references, the ASR guidelines for contract awards states "describe any previous department agency experience with a vendor that is relevant to the contract." Treasurer Freidenrich added that she believes having the references upfront is helpful. The second area is the rating summary for all bidders. Treasurer Freidenrich wasn't sure if they were rated on a yes or no scale or if they were given numbers. Treasurer Freidenrich ended by stating that because we have a standard contract is there a section that says: Are you going to meet all of these requirements? This would make that next process easy with nothing unexpected other than a caveat that states if our standard contract changes you would have to meet those requirements. Mr. Moohr added that the evaluation format was quite detailed in his opinion to see what kind of experience they had. Treasurer Freidenrich asked if the ASRs require us to put that detail in or not but the Board is really looking to get that information to see if the firms are satisfactory and they can get those references checked. Ms. Luster explained that when RFP's are done the scoring recap is

included so that the Board of Supervisors can see the rankings clearly but in this case it was review the qualifications and then yes or no. Chairwoman Hughes wanted to clarify that the suggestions being made will be for the next time around. Treasurer Freidenrich added that she is looking for this information on a go forward basis and expressed the importance of having those references. Chairwoman Hughes stated that it is noted that the firms give their best references and that's who we check. Chairwoman Hughes explained that periodically the references provide other references and asked if we do anything similar to that. Ms. Luster explained that it is a small community and we do call our peer counties from time to time if we have a question and at a certain point we rely on the references listed. Treasurer Freidenrich suggested using a similar process as the Treasurer's Office where they ask for a list of references as well as a list of clients that are similar size including the county name and contact. This allows us to get a little bit of different information and someone similar in size will have a little bit of diversity in their thoughts. Ms. Luster then followed by stating when doing an RFP we ask the respondents to provide an appendix of similar type transactions and we have picked some that look similar and called our peers to see what their experience was. Chairwoman Hughes asked to clarify if we want to add these new procedures or are we already doing it. Ms. Aguirre answered her question by stating that we are already doing it and we are not out of compliance with any policy or procedure that is required but in the future we can do the reference checks through this process as well and it will not be a problem to do so. Chairwoman Hughes then asked Ms. Aguirre about the rating summary. Ms. Aguirre explained that, that it is between the RFQ Process and the RFP process so more detail and specific information is required for the RFP process. Therefore, the information provided to PFAC today is consistent with the information that was available through the RFQ process rather than the RFP process. If the committee should ever need any additional information that is something that Suzanne can provide you with. Chairwoman Hughes sees a problem if the RFP doesn't contain information with what the standard contract is. Ms. Luster clarified that when we send out applications we do provide terms and conditions from the contract policy manual and we do ask them if they are willing to meet them 100%, if not state exceptions that they have and we did receive a few exceptions that were provided to County Counsel to review. The exceptions were discussed and none of them were too egregious that we could not later negotiate. We clarified to the firms that by recommending them to the panel we were in no way agreeing to the exceptions that they stated. Chairwoman Hughes clarifies her question is more about process and asks if the applicants are receiving the standard contract and then being asked if they will be able to meet these demands. Ms. Luster answers "yes" to Chairwoman Hughes' question. Chairwoman Hughes makes a motion to approve the Municipal Advisor Consultants. Rodecker moves, Hammond seconds. Chairwoman Hughes asks if there are any questions. Mr. Rodecker asked if there is any relevance to the order of the firms other than alphabetical. Ms. Luster clarified that they are listed in alphabetical order. Mr. Moohr asks if any of the supervising principles of Columbia Capital are residents of Los Angeles or Orange County. Ms. Luster states that the principal, Courtney Shay, spends about 25% of her time in California. Ms. Luster noted that we had a representative present from Columbia and asked him to the podium to answer the question regarding principles in California. Adam Pope, from Columbia Capital Management stated that Courtney Shay does have a residence here and spends 25% of her time in California and 75% of her time in Chicago. Mr. Moohr asked if the other two principles listed were Chicago based. Mr. Pope stated that Jeff White is based in Kansas City as well as the other partner. Chairwoman Hughes asked if that was a concern of the committee in which Mr. Moohr responded that it

was a concern of his, he didn't think they had much California experience, which is when Mr. Moohr began to wonder if we check references. Ms. Luster added that we subsequently did check references. Hearing no future discussion Chairwoman Hughes called the vote in reference to approving the panel of Municipal Advisor Consultants, all approved, except Mr. Moohr abstained. Chairwoman Hughes asked for a motion to the Bond Disclosure Counsel, Moohr moves, Rodecker seconds, Hammond abstains, all in favor. Chairwoman Hughes makes a motion to direct CEO staff to complete a new request for qualifications for the Municipal Advisor firms in three years and the Bonds Disclosure Counsel in four years. Rodecker moves, Groner seconds. Chairwoman Hughes asks Ms. Luster to report back in a timely manner in the direction that's going. Ms. Luster states that in regards to the recommendations that were heard here today in regards to the reference checking and ratings summary which would include summary score sheets and the ranking and insuring contracts terms are included in RFQ's and RFP's. Treasurer Freidenrich suggested that as we do the bond deals in the next three years those would also be incorporated, not just in the RFQ's and RFP's. Assuming that the Board would like to have them in their packet we would like to have them in our as well. Chairwoman Hughes made a suggestion that as this becomes a work in process to please inform the committee in a reasonable time as to how this is progressing. So that we may have time to give input if we feel necessary. Ms. Luster stated that in regards to procedures she would come back to them with some information in a couple of months. Chairwoman Hughes asks for any questions or comments, hearing none, approved unanimously.

**V. Public Comment:** None.

**VI. Committee Comments:** Ms. Luster stated that the next meeting is scheduled for August 11<sup>th</sup> 2016 and asked the committee if for that meeting they would like to take another tour of the Rancho Mission Viejo Project to see the progress. Mr. Moohr and Mr. Groner expressed interest. Chairwoman Hughes is unavailable therefore, Mr. Rodecker will chair the meeting. Mr. Groner made a suggestion to move this meeting to mid-day to avoid traffic, Mr. Rodecker suggested 12 o'clock. Ms. Luster said that she will communicate with Rancho Mission Viejo and follow up with the committee. Chairwoman Hughes thanked the representatives of the firms for attending the meeting.

Regarding the September meeting, Ms. Luster recommended canceling the September 8<sup>th</sup> meeting and agendizing two other meetings. We would either meet on September 29<sup>th</sup> or October 6<sup>th</sup> 2016. Treasurer Freidenrich noticed that she will be out on September 29<sup>th</sup> for a Board of Governors meeting. Ms. Luster explained that we would like agendize both meetings to provide flexibility and then she would reach out to the committee to figure out the preferred date. As of now, it looks like October 6<sup>th</sup> is the date but we would like to agendize both for now. Mr. Rodecker made a motion to agendize the meetings, Mr. Hammond seconds, no further discussion, approved unanimously.

**VII. Date of next meeting:** August 11<sup>th</sup> , 2016 at 1:30 pm

**VIII. Adjournment:** The meeting was adjourned at 2:33 pm.