



**SUMMARIZED MINUTES OF THE
PUBLIC FINANCING ADVISORY COMMITTEE
Thursday, APRIL 9, 2015 at 1:30 P.M.
Hall of Administration
Planning Commission Room**

Committee Members Present: Chair, Lisa Hughes; Committee Member Thomas Hammond; Committee Member, John J. Moohr; Committee Member Wallace Rodecker; Shari Freidenrich, Treasurer-Tax Collector; Frank Kim, Chief Financial Officer

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

Committee Members Absent: Committee Member, Carl Groner; Eric Woolery, Auditor-Controller

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 March 12, 2015 Meeting:** PFAC Chair Lisa Hughes asked for a motion to approve the minutes of the March 12, 2015 PFAC meeting.

Member Mr. Moohr moved that the minutes of the March 12, 2015 PFAC meeting be approved. Member Mr. Rodecker seconded; the motion to approve the March 12, 2015 PFAC minutes was unanimously approved.

3. **Approval in concept of proposed Financing of the 800 MHZ Countywide Coordinated Communications System upgrade and selection of a financial advisor and underwriter.** Ms. Luster, CEO Public Finance, presented for the request of approval in concept and provided a summary of the Countywide Coordinated Communications System (CCCS), and the selection of financial advisor and underwriter.

Ms. Luster explained the importance of the system back bone and console components and that the County is proposing to finance the entire backbone; and enter into agreements with cities and agencies to pick up their portion of the cost. The anticipated back bone financing request, including the County, is approximately \$24 million. The County will likely request to add the cost of the County radios for about \$24 million for a total of \$48 million. The County portion would be about \$12 million for the backbone and \$24 million for radios and consoles.

Member Moohr asked about the independent cities choosing to not take part in the financing and Member Hammond asked if the cities opt out of the financing, if those cities are a part of the coordinated system. Ms. Luster responded to Member Moohr, stating that some cities have set aside their own reserves for this upgrade and have their own resources. She responded to Member Hammond's question stating that the

opting out cities will be system participants and will have separate agreements since they will not be participating in the County's financing.

Committee member Freidenrich and Chair Hughes asked about the service life of the system and radio consoles. Ms. Luster informed the Committee that the backbone is assumed to last 15 years and the radios 10 years. Member Moohr asked about the life of the bond. Ms. Luster said that it has not been determined and that an assumption of 15 years is currently being used. Robert Stoffel, Sheriff Communications confirmed with Ms. Luster on the previous financing being unknown. Mr. Stoffel answered Member Hammond's question on the life cycle of the current radios. Mr. Stoffel approximated that 75% of the radios from the first CCCS implementation are being used today, with approximately 20,000 radios for the County.

Mr. Kim informed the Committee that the project has been integrated into the appropriate budget for the past five years, and that staff has been replacing broken radios units with new units that will work with the new backbone system. Mr. Kim stressed that a significant uplift of the core backbone is needed and that the VLF litigation and great recession has led to a spend down in County reserves. Because of this, the County's ability to cash finance projects is limited and that the County is committed to upgrade the backbone piece. The financing of the radios is still uncertain.

Mr. Stoffel informed the Committee that Orange County has a specially designed two in one radio by Motorola called the Red Hot radio which Motorola is willing to provide at a discount. Mr. Kim asked the Committee to allow the County to also consider the financing of the radios in order to present a business model.

County Counsel Angie Daftary confirmed today's vote is for the approval of the concept and approval of the financing team for the Committee.

Member Freidenrich commented on the importance of public safety, but wants to make sure the County is not financing an asset that we will be paying for after the asset is no longer in use. Member Moohr followed up by asking to see a more thorough breakdown of the backbone, radio, and both financed together. Member Hammond then asked for a breakdown in the capital reserves of the County and Mr. Kim informed the Committee that he could provide a breakdown of the various County reserves.

Chair Hughes and Member Hammond expressed concerns with the Central Utility Facility and compared the lasting debt of that project to the radios for the CCCS. Ms. Luster replied by reminding the Committee that she is asking for approval to move forward with the detailed analysis necessary to reach an educated conclusion for the Board of Supervisors regarding the new communication system.

Mr. Kim and Ms. Luster affirmatively responded to Chair Hughes request that she be provided with a list of anticipated projects to be financed for this fiscal year and the upcoming fiscal year.

Mr. Hammond asked about the financial arrangements for KNN Public Finance, and Ms. Luster proceeded to the next portion of the presentation. She informed the Committee that the evaluation panel was convened and KNN Public Finance was ranked number one financial advisor. A similar process was completed for the underwriter and Citigroup Global Markets, Inc. was ranked number one. Ms. Luster explained that the bond and disclosure process is going to be rebid because the process was not in line with the County's Contract Policy Manual.

Ms. Luster emphasized the importance of the underwriter to the analysis process. County Counsel Angie Daftary responded to the Committee's questions on liability of staff if the PFAC decides not to do this. She informed the Committee that the payment is contingent on the sale of bonds. Stephen Field, Vice President of Citigroup Global Markets, Inc. commented that his company will enter into a purchase contract at the time of sale and his company's fees will be contingent on the bond closing.

Committee Member Freidenrich inquired about the underwriter procurement and requested information on the process that led to a recommendation of a negotiated sale rather than a competitive sale. Ms. Luster explained that from a County contracting policy perspective the procurement was competitive. An RFP was issued to all 14 firms on the County's qualified panel. Proposals were received, and evaluation panel was convened and proposals were scored. The recommended selection was through a competitive process.

Ms. Luster went on to explain that from a bond financing perspective that a negotiated structure was preferred for this financing because we believe it is beneficial to include the underwriter in the analysis of the structure from the beginning. In a competitive sale, the parameters and structure are pre-determined and the underwriters bid on the day of the sale.

Joanna Bowes, Financial Advisor from KNN Public Finance, added that the County is not considered a frequent issuer and may not have the name recognition required to reach potential investors through competitive sale. The advantage of negotiated sale is that the underwriter is part of the process and markets and educates potential investors.

Committee Member Freidenrich asked why KNN has a higher fee and why they were chosen. Ms. Luster explained that the evaluation committee ranked KNN number one based on multiple criteria including experience, capabilities and cost. Committee Member Hammond asked if the County is committed to compensate KNN if they approve the motion and Ms. Luster responded that KNN's compensation is contingent on the deal being done as well.

Committee member Rodecker made a motion to approve the financing in concept and the selection of the financing team as recommended by County staff. Member Hammond seconded the motion. The motion was approved unanimously.

Public Comment: None received

Adjournment: The meeting was adjourned at 2:28PM.