

MINUTES OF THE SPECIAL MEETING FINANCIAL ADVISORY BOARD

May 2, 2012 7:00 p.m.
El Cerrito City Hall
City Manager Conference Room
10890 San Pablo Avenue

Roll Call Members Present- Bartke, Caftel, Kronenberg, Murphy Council Liaison Absent - Cheng Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Dodge reported on items discussed at the May 1, 2012 City Council meeting including assessment district approvals and the Municipal Services Corporation budget amendments for FY11-12 and FY12-13 including funds that will backfill the General Fund budgeted receipts. Dodge discussed the process regarding receipt of funds to the Successor Agency. Kronenberg discussed budgets and other issued relating to the Oversight Board where he is a member.

2. Comments from the Public

None present.

3. Review of Term Sheets for possible Lease Refundings

The Board reviewed the draft term sheets from Chase Bank and the savings analysis reports prepared by our Financial Advisor, Josh Cooperman, regarding refinancing all capital leases for vehicles as well as the Recycling Center and the bonds relating to the Swim Center and the Storm Drain fund.

Dodge discussed the progress of the refinancing over all and Caftel recommended reviewing the transactions one at a time and making a motion for each one individually. Concerns were discussed regarding the variability of the interest rates from the information presented and Dodge said she didn't think there was much interest rate risk at this time but the rates would be different from what is presented this evening. The FAB determined their recommendations would be on the information presented this evening recognizing the rate and final savings analysis would change but in an immaterial manner.

Equipment Lease Consolidation

Review of the consolidation of the equipment leases showed a projected net savings of \$80,371. Caftel asked if this would affect the Kensington agreement and that passed-on savings would change the overall net savings. Dodge was not sure if capital items were part of the operations agreement. Caftel asked about the bond counsel costs and if it would also increase the regular costs for the city and Dodge said it would not. Caftel asked if there was any concern with Meyer Nave representing the city as the City Attorney and as the Bond Counsel for the transaction and Dodge felt the Meyer Nave staff issuing the attorney's letter and compiling the

documents were different and it would still not be a conflict. Caftel said his main concern was to determine the actual savings considering any Kensington reimbursement or increase City Attorney costs.

A motion was made to recommend approval of the lease consolidation based on the materials presented. M/S Bartke/Murphy - Passed Unanimously.

Storm Drain

The Storm Drain bonds mature in August 2013 and Dodge presented the Chase Term Sheet and schedules that show analysis of the transaction on a gross and a net basis. Dodge explained that with only two years left on the transaction the goal is to free up the reserve and recover any costs by interest rate reduction. The rate is changing from 5.5% to 1.693% and the costs to be recovered are around \$25,000. The gross basis schedule showed a breakeven analysis with a \$66.01 savings and the net basis schedule that considers earnings on the reserve fund to be 1% showed a cost of \$\$7,824.17. Dodge said that the schedules were being revised to reflect the LAIF rate of .38% and reduction of costs negotiated with the bond counsel and financial advisor so that the net effect would be breakeven. Caftel brought up the dates on the Chase Term sheets which are incorrect and Dodge said they would be corrected to agree with the payment dates.

The FAB agreed overall that the transaction needed to breakeven for a recommendation. Bartke expressed concern over the calculation and Caftel explained it was just trading payment from one year to the next. Caftel said it could not be done because the term sheets say we cannot have a significant deficiency in our financial statements and Dodge showed the financial statements that do not have any significant deficiency or material weaknesses. Dodge said we did have a comment in our Single Audit regarding late billing that was considered a Federal Funding significant weakness but is not part of the financial statements and does not affect this transaction.

A motion was made to recommend the transaction as long as it is at least break even. M/S Caftel/Murphy Motion passed. Bartke abstained because he was unsure of the calculation.

Recycling Facility

Dodge explained that this transaction was refinancing the fairly new lease for the Recycling Facility and includes a 3% call premium since it was so new. The rates will be going from 3.880% to 2.706% and the term goes until 2025 so there is time to recoup the call premium and the costs of issuance from interest rate savings. The net savings is approximately \$130,000 which is not quite the goal percentage of 3% but it is still material savings and the costs may come in lower to make it come to 3%.

A motion was made to recommend approval of the lease consolidation based on the materials presented. M/S Bartke/Caftel - Passed Unanimously.

Swim Center

Dodge presented the Swim Center schedules but recommended it be postponed because there is currently a 1% call premium on the transaction that will end as of September 1, 2012. The transaction proposed by Chase calls for the reserve fund to be cut in half the balance but the sheets currently show it all being released. Caftel questioned the requirement for 110% collection of the debt service and the requirement for rental interruption insurance and Dodge

said those are current requirements but she needs to find out how much the insurance costs.

Kronenberg asked about the DTC, which Dodge thought was a repository for annual continuing disclosure documents. Caftel suggested we move the reserve fund to Chase Bank and Dodge said that was her intention.

The FAB discussed whether they should make a motion regarding this issue since we will not be issuing the new bonds until September 1, 2012 and a motion was made that if there were not material changed to the structure of the refinancing between now and September they recommended going forward with the transactions. M/S Bartke/Caftel Passed Unanimously.

4. Adjournment

Budget meetings were proposed for May 22, 2012, June 7, 2012 and June 14, 2012.