

MINUTES

SPECIAL MEETING OF THE FINANCIAL ADVISORY BOARD

Thursday, October 28, 2010 7:00 p.m. El Cerrito City Hall

Hillside Conference Room 10890 San Pablo Avenue

Roll Call Members Present- Bartke, Caftel, Jackson, Kronenberg Member Absent -None Council Liaison Present - Lyman Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Councilmember Lyman reported on Council activity relevant to the FAB since the last meeting on June 8, 2010 including passage of the FY 2010-11 Operating Budget, appointment of the new Police Chief, the amendment to the PARS contract, various contracts, grant applications, and the June 30, 2010 quarterly investment report. Lyman discussed the presentation to Council on the new multiagency radio program as well as the large increase of our Pavement Condition Index from the Street Improvement Program, the appropriation of Asset Seizure and Vehicle Abatement funds and the process and selection of Eden Housing for development of the Tradeway site. Caftel asked about the significant reductions in salary that were referenced in the Measure R literature and Lyman discussed the pay concessions and the new MOU's approved by the Council. Lyman discussed how the Fire Department postponed a 3% contracted increase until the next year, the Police Department took a 14% increase that was determined by a survey and spread it out over four years and miscellaneous staff continued to receive no raises.

Dodge handed out a League of California Cities report on Open & Public IV: A Guide to the Ralph M. Brown Act that had been requested to be distributed by the City Clerk and introduced Melanie Mintz, Environmental Services Manager who will be discussing the Recycling Center Financing.

2. Comments from the Public

None present

3. Approval of Minutes

The minutes of June 8, 2010 were approved with an amendment to the minutes regarding Kronenberg's no vote on the Scenario B motion 1) regarding the sales tax measure as a result of his recommending the 7 year sunset as proposed by staff instead of the FAB's recommendation of a 5 year sunset. M/S Caftel/Jackson - Motion passed unanimously

4. Quarterly Investment Reports

The Board reviewed the quarterly investment reports for June 30, 2010 and September 30, 2010 and Dodge discussed this being the first quarter where we have used of all of the construction bond funds and only have debt service reserve funds held with fiscal agents. Dodge also discussed the lack of interest earnings in even the debt service reserves which are held in US

Treasury money market funds. Caftel commented that the percentage on LAIF earnings in the schedule was .51% and in the report it was 56%. Dodge said she would check on that and correct it prior to submission for the Council report. Kronenberg asked if Dodge could find out about putting the debt service funds into the LAIF fund and she will report back. Dodge commented on the difficulty in getting LAIF funds out of fiscal agent accounts as apposed to operational accounts and will check on that also before reporting back to the FAB.

5. Recycling Center Reconstruction Financing

The Board reviewed the draft staff report and supporting documentation for the November 15, 2010 Council presentation on financing for the reconstruction of the Recycling Center. Bartke asked we could justify building a new center rather than re-habbing the old one, and how the financing involved a lease of our property. Mintz discussed the historical events that led to the decision to reconstruct the Recycling Center in the manner to be proposed and what the new center would provide in services and design. Dodge said that the agreement would be a sale-lease back arrangement with the leaseholder being selected lender. Jackson questioned the ground lease agreement for 25 years on a 15 year loan. Dodge said this lease ends when the loan is paid off and that her research has shown that having the lease 10 years longer is not unusual in this type of transaction. It is designed so the lessor could recoup funds for a longer period of time in the case of default.

Dodge discussed her report and the recommendation for financing with Holman Capital Corporation presented in the draft Council report. Dodge also said the documents and terms are currently being reviewed by an attorney with Meyers Nave, the firm of our City Attorney, who specialized in these types of transactions and an official attorney's letter will accompany the final documents. Caftel asked what the additional real property collateral would be and Dodge said it would be Fire Station 72 since the debt on it had recently been paid off and the land at the Recycling Center site. There is a legal requirement for there to be collateral valued at least the same value during the construction period and that the Fire Station and the land for both properties satisfied that requirement. Bartke asked about the cost of the legal and tax opinions and Dodge reported on the separate letter received by Holman stating the cap on those costs at \$10,000 that she had just received because of her request for clarification.

Bartke asked about prepayment penalties and Dodge said a column on the debt service schedule includes a purchase option price which includes any prepayment penalty. Jackson asked if the schedule could break out that component and Dodge said she would check on it. Mintz felt that having a schedule of 15 years would be fairly short and did not feel there would be any prepayment conflicts.

Dodge distributed three ten-year plans to discuss the effect of the recommended financing. The first was the plan approved in the FY2010-11 Operating Budget with assumptions of a 25 year financing with 6% interest and the rate increases needed to support that option. The second plan showed the actual amounts from the Holman Capital 15 year lease with no changes to the proposed rate increases and the large fund balance that comes into effect after 10 years. The third plan shows the ability to reduce the rate increases than originally projected in the 10 year plan. Mintz commented on this resulting in a better project for less money.

Bartke asked if all of the payments would be from the IWM Fund and Dodge said that was the case but that the General Fund would be guaranteeing the debt. Jackson wanted to see the final

documents and Dodge said she would send them out when she got them back from the attorneys.

Caftel made a motion that the FAB finds that based on the information from staff and from the options presented the recommended proposal is fiscally sound and is a good opportunity for the City as it provides a larger building, less of a fee increase and a lower cost to rate payers than originally projected. M/S Caftel/Jackson Motion Passed unanimously.

6. The meeting adjourned at 8:45. The next meeting will be November 9, 2010.