

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, September 1, 2009

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from  
the July 22, 2009 Meeting (Lane)

Attendees

Board: Director Lane (Chair), Doug Siden, Ayn Wieskamp  
Staff: Dave Collins, Cinde Rubaloff, David Sumner, Deborah Spaulding,  
Pam Burnor, Davio Santos.

Public: Bick Hooper, PAC Chair

Outside Consultants: KNN Public Finance – David Brodsky, Managing Director  
Jones Hall – Stephen Melikian, Bond Counsel/Disclosure Counsel

I. Measure WW 2009 Bond Issue

AGM Dave Collins began the meeting with a review of the District's Measure WW bond issue strategy, noting that the Board and District staff have been very cognizant of the issuance of the Measure AA bonds, and compliance with the \$10/\$100,000 target levy goal. This is also a primary focus when deciding on the structure of the Measure WW bonds.

AGM Collins informed the committee that due to the unanticipated decline in assessed valuations (AV), the \$10/\$100,000 target would not be met in the 2009/2010 levy. He reminded the Committee that the 2009/2010 levy includes only Measure AA debt service, as the Measure WW bonds have not yet been issued.

It is projected that the 2009/2010 and 2010/2011 Measure AA debt service will exceed \$10/\$100,000 target. While the structures of the Measure AA bond refundings in 2006 and 2008 were both based upon modest AV increases of 2% a year, in 2008 real estate values began to plummet. AV has decreased for the 2009/2010 tax years, and it is anticipated that it will decline further in the 2010/2011 tax years. This factor pushes the tax levy rate for the Measure AA debt service beyond \$10/\$100,000. The debt service amount cannot be changed once the bonds are issued; consequently, the levy amount

must be increased to cover the annual debt service. The debt service was originally structured to minimize interest by repaying debt as quickly as possible. Additionally, the goal was to maintain a level \$10/\$100,000 levy amount through 2010, so the levy amount wouldn't become a factor in the timing of the Measure WW election. AGM Collins emphasized the fact that after 2010/2011, the debt service requirements, and thus the tax levy amount, drop substantially. He noted that 2011/2012 will be the first year debt service payments will be due for the series 2009 Measure WW bonds.

AGM Collins continued that as we are preparing to issue the first series of WW bonds, the District has several goals: (1) to ensure adequate funding for local grant programs and acquisitions for development, (2) conformity with \$10.00 tax levy rate, and (3) use of efficient market structure to decrease issuance costs, which includes elimination of the necessity to go back to market with the next debt issue for at least two or three years.

AGM Collins introduced David Brodsky - Managing Director of KNN Public Finance and Stephen Melikian - Bond Counsel/Disclosure Counsel of Jones Hall.

Mr. Brodsky gave a PowerPoint Presentation covering the issuance of Measure WW 2009 series general obligation bonds. The presentation reviewed the 2009 objectives, including:

Issue sufficient bonds under WW to meet needs for the next one to two years -

- Stay within the current tax rate.
- Manage the two key challenges of the economic crisis - declining assessed valuations and credit market disruptions.
- Develop a long-term financing plan for the \$500 million Measure WW bond authorization.
- Maintain a relatively stable tax rate of maximum \$10/\$100,000 vs. level debt service.
- Create a debt structure that maximizes bonding capacity for future projects.

The presentation also covered the existing debt structure, the challenges of declining assessed valuation, and alternative strategies for Measure WW bonds. Other key points of the presentation included:

- Addressing the tax rate impact of current debt.
- Status of the municipal bond market.
- Selling the series 2009 bonds.
- Selection of the series 2009 underwriter.

The final steps required before the sale of the series 2009 are completion of the financing documents, including:

- Resolution of the Board to approve the financing.
- Fiscal Agent Agreement.
- Official Statement.
- Bond Purchase Agreement.

The expected series 2009 schedule includes full Board approval of the financing documents on August 11th or September 1<sup>st</sup>, with the closing and bond sale scheduled for the end of September.

There was discussion concerning the assessed valuation projections and how AV may impact adherence to the \$10.00 tax rate goal.

AGM Collins asked for the Committee's approval for the recommended bond team consisting of underwriters (Piper Jaffray and RBC) and bond counsel/disclosure counsel (Jones Hall).

The Committee discussed that the Series 2009 would be issued for up to \$80 million and that the structure of the new issue would ensure that the new debt service requirements would not impact the tax levy amount, until 2011/2012.

AGM Collins summarized the Finance Committee's recommendation that no current action be taken to remediate the 2009/2010 tax levy amount, which is expected to exceed \$10/\$100,000 for the existing Measure AA debt service. He reiterated that the bond financing team will continue to explore options to mitigate the 2010/2011 tax levy rate.

**By motion of Director Lane and seconded by Director Wieskamp, the Finance Committee made the selection of Piper Jaffray for Senior Underwriter and RBC as Co-Manager for Underwriter.**

**By motion of Director Lane and seconded by Director Wieskamp, the Finance Committee recommended the appointment of Jones Hall Bond Counsel/Disclosure Counsel.**

AGM Collins summated that staff will present to the full Board on September 1st the financing documents, seeking final approval for the issuance of the 2009 series Measure WW bonds.

I. Request for Proposal for Independent Audit Services.

CFO Cinde Rubaloff introduced the Request for Proposal (RFP) for Independent Audit Services. She informed the Committee members that the District follows Government Finance Officers' Association (GFOA)'s recommended practices and as such, issues an RFP for audit services every five years. The process will be completed in September and a recommendation for the District's independent auditor will be presented to the Finance Committee at their September meeting.

## 2. Public Comments

Bick Hooper commented on the need to be concerned, careful, and conservative when estimating what the economy is going to do three years from now.

Davio Santos shared his opinion that inflation is something to worry about within the next ten years. He also raised a question concerning the State budget, and asked for additional information about ERAF to share with his co-workers.

Director Lane responded that the minimum expectation is that the District's portion of ERAF (Proposition 1A) will be at least 8% of property tax revenue.

Discussion followed about the amount of the District's share of ERAF take away. AGM Collins explained that the formula the State will use is still unclear. Staff knows that the District will lose approximately \$8 million over one State fiscal year (which is two of the District's calendar years - half in 2009 and half in 2010).

In conclusion, AGM Collins stated that the District is anticipating the use of the Reserve for Economic Uncertainties to cover the one time ERAF take-away. The General Manager has also directed department managers to begin reducing their 2010 base budget.

The meeting was adjourned at 1:20pm.

The next meeting is scheduled for Wednesday, August 26<sup>th</sup> at 12:45pm in the Board Room.