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SPECIAL MEETING
OF THE BOARD OF DIRECTORS
OF THE MID-PENINSULA WATER DISTRICT

October 11, 2016
Belmont, California

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1. **OPENING**

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A. **Call to Order:**

The special meeting of the Mid-Peninsula Water District Board of Directors was called to order by Vice President Warden at 6:05PM.

B. **Pledge of Allegiance** – The Pledge of Allegiance was led by Director Stuebing.

C. **Establishment of Quorum:**

PRESENT: Directors Linvill, Stuebing, Vella, and Warden. Director Zucca arrived at 6:10PM shortly after the meeting started.

ABSENT: None.

A quorum was present.

ALSO PRESENT: General Manager Tammy Rudock, Operations Manager Rene Ramirez, District Secretary/Administrative Services Manager Candy Pina, District Counsel Julie Sherman, and District Engineer Joubin Pakpour. District Treasurer Jeff Ira was absent.

2. **PUBLIC COMMENTS**

None.

The Board agreed to take the agenda out of order and proceeded first to Regular Business Agenda Item 3.B. and then to Agenda Item 3.C.

3. **REGULAR BUSINESS**

B. **Consider Resolution 2016-21 Accepting as Complete the Alameda De Las Pulgas Water Main Replacement Project and Authorizing the Recordation of a Notice of Completion for the Project**

Operations Manager Ramirez reported the project was completed and it was time for the Board to formally consider acceptance of the project. The Notice of Completion will be recorded in San Mateo County by staff. He summarized that the contractor's construction bid totaled a little over \$620,000. There were almost \$12,000 in change orders, but because of materials used and various other items, there was a reduction in costs of almost \$18,000. The final cost of the project was a little over \$615,000. District Engineer Pakpour added the last item on the punch list was the striping of Alameda. On September 17th, the contractor striped, and completed another miscellaneous punch list item on September 22nd, so we deemed the project complete. There was a balancing change order that balances the materials put in the ground with what we paid for. The net \$17,000 savings was due to the project not requiring some of the materials we originally anticipated needing. We also had daily sweepers in the cost, which were not needed, as the contractor's activities were very clean. In addition, two anticipated retaining walls were not needed. Operations Manager Ramirez referred to pages 205-206 listing an analysis of all the change orders, with four change-order categories (client

52 requested, unforeseen conditions, PS&E, and other). We are at a -1% of change orders,
53 compared to an average of 10% change orders for underground work. We are working
54 with the contractor to resolve a few remaining discrepancies that could turn into claims.
55 The two-year warranty starts at the time we file the notice of completion.
56

57 Director Vella moved to approve Resolution 2016-21 Accepting as Complete the
58 Alameda De Las Pulgas Water Main Replacement Project and Authorizing the
59 Recordation of a Notice of Completion for the Project, Director Stuebing seconded. Roll
60 call was taken, and it was unanimously approved.
61

62 **C. Consider Cancellation of October 27, 2016 Regular Board Meeting**

63 President Zucca suggested the regular board meeting of October 27th be considered for
64 cancellation since there is no substantive business to be discussed at that meeting.
65 General Manager Rudock noted that the financial and manager's reports will be
66 distributed and posted. It was discussed that the auditor will be available for the
67 November meeting to deliver the audit report.
68

69 Director Linvill moved to cancel the October 27, 2016 Regular Board Meeting. Director
70 Stuebing seconded and it was unanimously approved.
71

72 President Zucca went back to Regular Business Agenda Item 3.A.
73

74 **A. Consider Resolution 2016-20 Approving the Form and Authorizing and Directing**
75 **the Execution of Certain Installment Sale Financing Documents in Connection**
76 **with the Financing of the Acquisition and Construction of Certain Improvements**
77 **and Facilities within the District's Water System, Authorizing and Directing**
78 **Distribution of a Notice of Intention, a Notice of Sale and a Preliminary Official**
79 **Statement in Connection with the Offering and Sale of Certificates of Participation**
80 **Related Thereto, and Directing Certain Actions with Respect Thereto**

81 General Manager Rudock, District Treasurer Ira, Administrative Services Manager Pina,
82 and Operations Manager Ramirez carefully reviewed all of the financing documents.
83 Further review was coordinated with the District Counsel, including Allison Schutte and
84 Julie Sherman. The MPWD's Municipal Finance Advisors, Bud Levine and Edmund
85 Viray of Wulff, Hansen & Co., also reviewed the documents. Staff noted there were
86 minor typographical errors that would be cleaned up after this review with the Board and
87 they were finalized. This resolution includes direction that the final documents will be in
88 a form approved by District Counsel.
89

90 General Manager Rudock presented that the fiscal impact consistent with the direction of
91 the Board: \$1,045,000 for the annual debt service payment. This is in line with what
92 was reported earlier this year by Alex Handlers of Bartle Wells when he presented the
93 updated financial projections for the MPWD. Bud Levine will show the most up-to-date
94 financing scenario for the 30-year Certificates of Participation (COPs). The first payment
95 installment will be on May 15, 2017. The funding currently identified in the MPWD's
96 Capital Budget for AMI will likely be used for the first debt payment (\$500,000).
97 December 1, 2026 remains the earliest payback date, without any prepayment penalty.
98 Mr. Levine will share the interest rates in the current bond market. The debt service
99 coverage ratio is 1.3 that enables us not to have to purchase insurance, providing for
100 significant savings in financing costs. Staff is updating the informational summary and
101 FAQs, which reflect the entire process on how the MPWD came to the decision for debt
102 financing. Bond Counsel Brian Quint of Quint & Thimmig LLP explained in his report the

103 meaning and purpose of each of the documents presented. The Preliminary Official
104 Report staff prepared was 45 pages long and thorough as required. Mr. Levine
105 mentioned that we should be very proud of this document. General Manager Rudock
106 stated it was a good exercise to go through, and all the required information was
107 available to put into this document as a result of the MPWD's organizational
108 accomplishments these past few years. A schedule will be presented, which shows the
109 next steps through this process.

110
111 Director Linvill would like to understand who the Public Property Financing Corporation
112 of California was and what vetting was done on this company, and why them. Mr.
113 Levine explained who they were, and why MPWD needed to use them. He explained
114 they would become a participant issuer. They created the COPs. The trustee holds all
115 the money, and MPWD directs what they pay.

116
117 Mr. Levine distributed handouts to the Board and staff and explained the reasons behind
118 the documentation. He explained the call provision in 2026 without prepayment penalty.
119 When bonds are issued without insurance, there is higher debt service coverage. The
120 debt can be paid off in 20 years, and it will not exceed \$1,045,000 a year in debt service
121 payments.

122
123 He further reported that key documents go out electronically showing bond issue
124 structure. Nothing can be changed on these documents. The parameters will have to
125 stay within the parameters listed. The additional documents within this report were:
126 Installment Sale Agreement, Trust Agreement Installment Terms, Duties of the Trustee,
127 Unexpected Funds Call Definition, Continuing Disclosure Certificate, Continuing
128 Disclosure Agreement, Assignment Agreement, Good Faith Custodial Deposit of
129 \$100,000, Certificate of Award, and Preliminary Official Statement.

130
131 Mr. Levine shared ideas on what could be done with the excess cash (e.g., paying down
132 the bond issue if desired or establishing a rates stabilization fund). He explained that
133 premium bonds are the best to buy in this market because when rates go up, the
134 premium bonds do not go up. PAR bonds go up and down. When there are high
135 interest rates, PAR bonds are typically used.

136
137 Director Linvill reiterated her desire that when there is excess cash due to earning more
138 she would like the District to use the money or accumulate the excess and call the
139 bonds. President Zucca does not want MPWD to get rid of the reserves currently in
140 place. Director Linvill would like to make sure we have a cushion to pay the bonds and
141 also make sure staff is managing the funds and tracking carefully the expenses.

142
143 General Manager Rudock added that MPWD will need to develop a strategy to fund
144 completion of the AMI change-out program. Rate stabilization funding was further
145 discussed with regard to excess revenues.

146
147 Mr. Levine then discussed the process of choosing the underwriters. He discussed
148 other similar bond issues and gave different scenarios. The examples given showed
149 that premium bonds were desired for investors. He discussed the next steps listed on
150 the schedule presented. He clarified how the trustee bank would be selected.

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152 President Zucca clarified with the Directors present that the Board is moving toward
153 doing debt service for its capital improvement program.

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Mr. Levine added that the hope is to be pricing these in November close by December 1st.

General Manager Rudock discussed options with the Board for signature authorities on all financing documents. The Board agreed that the President, the General Manager, or their designees, would be the signatories on behalf of the MPWD.

Director Linvill mentioned that Resolution 2016-20 needed to identify the MPWD's Municipal Finance Advisor. Staff reported that it would amend the resolution to add District Counsel approval of all documents to relevant sections within the resolution, and include the MPWD signatories.

Director Linvill moved to adopt Resolution 2016-20 as amended Approving the Form and Authorizing and Directing the Execution of Certain Installment Sale Financing Documents in Connection with the Financing of the Acquisition and Construction of Certain Improvements and Facilities within the District's Water System, Authorizing and Directing Distribution of a Notice of Intention, a Notice of Sale, and Preliminary Official Statement in Connection with the Offering and Sale of Certificates of Participation Related Thereto, and Directing Certain Actions with Respect Thereto. Director Stuebing seconded the motion. Roll call was taken, and the motion was approved 4-1. Directors Linvill, Stuebing, Vella, and Zucca voted yes, and Director Warden voted no.

Director Warden stated that while he did not support the debt financing, he wanted to compliment staff and the Municipal Finance Advisor team for their hard work this past year and diligence in their presentations and reports to the Board during this process.

D. Other Topics for the Good of the Order

None.

4. ADJOURNMENT

Director Stuebing moved to adjourn at 7:45PM, Vice President Warden seconded, and it was unanimously approved.


DISTRICT SECRETARY

APPROVED:


BOARD PRESIDENT