

BEL MARIN KEYS COMMUNITY SERVICES DISTRICT
Special Board of Directors Meeting

Minutes

Tuesday, May 20, 2014

Directors:

Darrick Chase, President
Vince Lattanzio, Vice-President
Ernie Ganas
Ruth Simpson
Mark Montobbio

- I. Call to Order (PLEASE TURN OFF CELL PHONES): 7:33pm**
- II. Pledge to the Flag**
- III. Roll Call: Ganas, Lattanzio, Simpson, Chase Absent: Montobbio**
- IV. Presentation and discussion by municipal advisor, Bill Euphrat, of bank lending proposal to refund special tax bonds**
 - A. Selection of preferred lender and direction to the District Manager to initiate negotiation of lending terms with selected lender.**

Mr. Bill Euphrat addressed the board and noted he was present to talk about options to refinance the debt, and addressed issues that were raised with regard to eliminating the reserve. He noted that he wanted to address the value of the reserve and what the District is getting for it. He noted that he reached out to five (5) banks and two (2) were very similar in their proposal. The original proposal outlined the elimination of the existing debt service reserve and applying it to reduce the amount of debt. However, after taking into consideration the Boards concern with the elimination of the reserve and how much money could get out of the refund upfront for the continued repairs to the levees; as such provided a spread sheet with said information to the Board of Directors addressing the reserve.

The information on the spread sheet is based on the depository of information for continuing disclosure and he looked at information from fiscal year 2009 to fiscal year 2013. He wanted to point out that when referring to the reserve it is the debt service reserve fund which is money that belongs to the taxpayers not the District; and is in place to make debt service payments if the County fails to pay the District 100% of the tax levy and have a shortfall, and the District is entitled to go into the reserve fund and take money out and use it to pay debt service and then required to the following year to levy an amount to fill it back up. He noted that the District is in the teeter plan with the County and it is unlikely that they will kick the District out and the delinquencies have been very low, however, he noted that it cost the District money to have the reserve sitting there. It cost about 3.8 percent, and earning maybe .2percent depending on how the fiscal agent is investing it, and has a negative spread on the reserve fund that is upward of 350 basis points, which is very expensive. Therefore, that is why he recommended on his original proposal to get rid of the reserve.

Vice-President Lattanzio noted that a greater benefit to the community would be continuing to receive surplus from the reserve for projects which is a greater benefit than any savings for the refinancing of the bonds. He also noted that we are hard pressed to go out for another bond and would like to get money now to pay for projects as he believes it will not hurt to go out one more year.

Mr. Euphrat noted that when you do a bond refunding there are several ways to do it, and with new objective that the Board is looking at he asked the question as to how much money can be pulled out of the refinancing up front and still comply with the law. He noted that the District could actually pull about 1.2 million and get about \$780,000 for the project fund; however, it comes at a cost. The law states that in order to do a refinancing without putting it out to a vote of the electorate we have to provide at least one penny of savings. Mr. Euphrat noted that if you pull 1.2 million you will be increasing taxpayer bill by 10 percent and there is a limit and have a maximum tax rate and must have a coverage of 110% (ratio of maximum taxes divided by debt service, the number has to be greater than 1.1) and want to levy a surplus, if not, you will not be able to accommodate the administrative fee and cover the shortfall. Mr. Euphrat noted that he could not guarantee that the proposal brought in tonight would be one the banks would accept as it is, they might require less money taken out and more than 110% coverage, however, it would still be in excess of one million dollars.

President Chase asked how much money would be available for projects. Mr. Euphrat noted that none of the principal in the reserve funds is available to do projects; the only availed amount is the interest earning that accretes to fund such that the balance is greater than the reserve requirement. Mr. Euphrat noted that the CSD would not get the lump sum, the District will submit for progress payments and any interest earned will go to the project fund not the District general fund. NBS will continue to file the annual continuing disclosures for the bonds.

Mr. Euphrat noted that if the banks are not willing to do this, and he asked the Board if they would be interested in doing a transaction along the lines of the first proposal; getting rid of the reserve fund and apply now to reduce the debt and produce savings and could push savings upfront and get about \$250,000. This would include no payment of the last year and reduced tax bill by about six (6) to seven (7) percent.

Vice-President Lattanzio noted that he is not interested in changing the taxes, but interested in benefiting the entire community by doing as much infrastructure projects as possible.

Director Ganas asked for clarification as to how the District will be getting \$250,000 in cash when deal closes. Mr. Euphrat noted it is based on how the future debt service is structured (how much principal coming due every year). All the saving pushed in the first year.

Vice-President Lattanzio noted that he would like to see option one (restructure to cost no more to tax payer other than the last year), second (no saving but more money and no change in structure, no last payment and no saving and \$250,00 for projects), option three (6-7percent savings). Due to option one the best deal for over all community, option two is second best deal for community and no benefit for individuals, the third is a 6-7 percent benefit only the individuals.

The Board agreed and asked that a narrative be written up by Mr. Euphrat and to clarify the options. Do a spreadsheet analysis and if further discussion is need he can come back. He noted that the Boards main concern is how much are the amounts; understand getting money for projects, and what taxpayers are asked to give up (tax holiday in last year) and what the debt serve will look like as a result.

****MOTION to authorize the District Manager to execute commitment letter with advice of bond counsel and municipal advisor upon satisfactory negotiation of terms and acceptance thereof contingent upon receipt of information based on tonight direction.**

M/S: Lattanzio, Simpson

Mr. Euphrat noted that he believes the District will get what it is looking for and pleased and in line with what is expected. And will supply an explanation that can be given to the residents that will give a narrative as to what is being done.

Vote: Ayes- Lattanzio, Chase, Simpson, Ganas

Absent: Montobbio

****MOTION to approve Resolution Number 2014-05-20-01. (no action taken)**

V. Open Forum-no comments

VI. Adjournment

****MOTION: To adjourn the Special Board meeting of May 20, 2014**

M/s: Lattanzio, Chase

Vote: Ayes- Lattanzio, Chase, Simpson, Ganas

Absent: Montobbio

Meeting adjourned 9:10pm