



**BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER DISTRICT
MINUTES
July 23, 2019**

Tuesday, July 23, 2019 at 6:30 p.m., SLVWD, 13057 Highway 9, Boulder Creek, CA 95006.

1. Convene Meeting 6:30 p.m.
Roll Call: Farris, Fultz, Henry, Swan were present
Staff: R. Rogers, S. Hill, G. Nicholls, H. Hossack
2. Additions and Deletions to Agenda: none
3. Oral Communications:
L. Ford wants to remind the Board that he is working on a plan for Fire Management but it is not on this agenda.
4. New Business:
 - a. BOARD MEMBER RESIGNATION
G. Nicholls introduced this item regarding the resignation of Dir. Smallman.
B. Fultz wants to allow the deadline for the applications to be extended to August 29th.
Discussion by the Board and staff regarding application deadline.
J. Mosher-Felton, spoke in support of the extension of the deadline.
Discussion regarding deadline continued.
V. Champlin he's concerned that we are taking things out of order. He thinks all four Board members should be present. Allowing more time is a good idea but has to be the 3rd priority.
L. Henry questioned if we can change the date of the second August meeting.
G. Nicholls changing the date of the meeting is not on the agenda.
R. Rogers noted that we have the regular meeting on August 1 and we can change the meeting then.
Discussion regarding deadline for the application continued. The deadline will be August 21st for the application receipt and the proposed meeting date will be August 28th, to be determined at the August 1st BoD meeting.
C. Baughman his opinion is that this is a good idea.

G. Nicholls proposed the language for the motion. Motion to find that an elective office, a Board seat of the District, has become vacant as of July 17, 2019 and to proceed with filling the vacancy by appointment within 60 days and to direct staff to proceed with posting the Notice of Vacancy and establish August 21st at 5:00 p.m. as the closing date for receipt of applications.

B. Fultz made the motion.

S. Swan seconded.

All present voted in favor of the motion. Motion passed.

R. Moran-Ben Lomond, thanked B. Smallman for being a strong advocate for banning glyphosate.

b. AUTHORIZATION FOR THE EXECUTION AND DELIVERY OF DOCUMENTS RELATING TO THE SALE OF CERTIFICATES OF PARTICIPATION

Chris Perlitz Municipal Capital Markets Group (MCM) on speaker phone, introduced himself.

S. Hill introduced this item. She explained that when the District first began working on the funding for the CIP the District wasn't in the financial shape for competitive financing. Thanks to the rate increase and historically low interest rates the District is in the position to shop for more money at lower interest rates.

G. Nicholls introduced Katherine Thursby, a partner at Nossaman. She works almost exclusively on public finance deals. She has been preparing the documents for this COP offering.

K. Thursby explained the loan process. Historically the District has gone to a bank to fund infrastructure projects. We will be working with a trustee in this process. It is analogous to a Municipal Bond. The trustee will interface with the bond holders. In the packet we have an installment purchase contract, the trust agreement, the assignment agreement, a certificate purchase contract (the agreement with Chris of MCM), a continuing disclosure agreement, the final document is the preliminary limited offering memo.

L. Ford questioned if we will know who the investors are?

K. Thursby explained that the investors will interface with the trustee.

L. Ford continued, so Stephanie will not be writing checks to individuals.

K. Thursby explained that all of the costs for preparing all of these documents and all of Chris' costs, most of the trustee's costs, the corporation's costs, the bond insurance costs are paid up front. The rate is 3%.

C. Perlitz added that the investors are paying for that cost. Also, we will know who the institutional investors are, most of with buyers will be institutional buyers.

B. Fultz asked was it 3 or 2?
K. Thursby asked Chris if it is 2 or 3%?
C. Perlitz said it's between 2 & 3%, we're still finalizing the insurance costs.

B. Fultz questioned the *not to exceed* finance charges.
C. Perlitz responded it will fall between 2 & 3% with the insurance.
Discussion between Board and experts.

L. Ford questioned the risks for this process.
K. Thursby said the difference is that interest rates through the public offering are much lower compared to what a bank would offer.

C. Perlitz said that the USDA loan has a much longer maturity schedule, therefore it is a higher interest rate.

S Hill question the risk with this loan vs. a bank loan.
C. Perlitz responded that banks have a different type of oversights.
C. Baughman questioned the amount of the loan. He has seen \$12 million and \$15 million.

K. Thursby responded that \$15 million is the absolute maximum amount the District can borrow. S. Hill will provide the final number that will encompass all of the projects the District is hoping to pay for with this borrowing.

R. Rogers said we have pipeline replacement projects, tank replacement projects, distribution systems; all in the planning process.

S. Hill we have about \$10 million in specific projects, and many more projects where we can utilize funds from this borrowing.

C. Baughman asked if the projects need to be specified. Are people buying pieces of lease agreements?

K. Thursby explained that for water districts they use the installment purchase contract. Certificate holders are ultimately buying a piece of what are called installment payments that are paid under the installment purchase contract.

B. Fultz said in other words you're buying a piece of the net revenue.
V. Champlin questioned if there is any difficulty if the certificates cannot be fully unloaded.

K. Thursby explained that is what MCM, the underwriter, will bear. They will agree to purchase all of the certificates.

V. Champlin questioned how we pay for this. Where does it fit in the budget?

S Hill explained that it will come from District revenues.

D. Loewen questioned talk about separate loans for the Lompico tanks.

S. Hill explained that the assessment district is noted in the contract and that the assessment district funds will be used to pay the loan down as they come in.

K. Thursby said the Lompico \$300,000/year will be paid toward the loan payment.

V. Champlin said that COPs are a siren, be careful not to over extend.

C. Perlitz said they have created parameters which the District needs to adhere for future parity debt.

L. Henry said that she asked Stephanie if there was a debt ratio.

S. Hill explained they do a 5-year projection. The District is healthy right now.

C. Perlitz noted that the District issued a bond in 1999 for capital improvement, as well as 1972 for capital improvement. Almost exactly 20 years apart.

D. Loewen questioned what would prevent the District from using this money for operations.

K. Thursby said it would be breaching the terms of the agreement.

Discussion by Board and staff regarding terms of the agreement.

C. Baughman questioned if the 1972 and 1999 were certificates of participation.

K. Thursby said that she didn't look at 1972 but the 1999 was a certificate of participation.

C. Perlitz said there is about \$600,000 outstanding principal.

E. Frech questioned if the County is an interest bearing account.

Discussion by Committee, staff and public regarding the interest on the County account.

G. Nicholls added that next week K. Thursby will be leaving Nossaman for another firm, in order to keep this process as streamlined as possible for the District, they are working on this matter transitioning to K. Thursby at her new firm as of August 1st. She will come back to the Board next week with resolution appointing Fox Rothschild as the firm handling this matter.

L. Farris noted that there is not much time to draft the resolution.

K. Thursby said that we needed to inform the Board regarding the engagement letter before the transition. There will also be an amended change to installment agreement.

L. Farris questioned how much debt obligation does the District have.

Discussion by Board, staff and public regarding debt obligation.

B. Fultz said he would like to have the roles of each of the individuals involved in the process explained.

K. Thursby explained the team members are Nossaman; special counsel & disclosure counsel (Katherine & will move to Fox Rothschild),

general counsel (Gina). Chris (MCM) is the underwriter. Public Property Finance Corporation of California (PPFCC) enters into contract with the trustee and the District, to facilitate the payment. The trustee will take the installment payment and pay the certificate holder. SAM the bond insurer.

C. Perlitz that is all of the team.

B. Fultz questioned the rating.

C. Perlitz explained the rating.

B. Fultz asked about the disposing of property.

K. Thursby said to keep in mind the rate covenant which is 125% of net revenue.

Discussion regarding indemnification provisions.

L. Henry asked if the resolution has to be read aloud.

G. Nicholls said that it does not have to be read into the record.

B. Fultz made a motion to adopt Resolution No. 3 (19-20) and authorize staff to execute the proposed addendum #2 to the engagement agreement of legal services with Nossaman.

S. Swan seconded the motion.

All present voted in favor of the motion. Motion passed.

R. Rogers said this is a huge milestone for Capital Improvements.

5. Adjournment 7:44