

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
November 10, 2016 @ 8:00 a.m.

Director Dewane called the Administration and Finance Issues Committee to order in Conference Room C-2 in Fountain Valley, CA. The Assistant District Secretary reported a quorum of the Committee.

Committee Members

Shawn Dewane (present)
Jan Flory (arrived 8:05 a.m.)
Roger Yoh
Dina Nguyen (present)
Denis Bilodeau (arrived 8:25 a.m.)

OCWD staff

Mike Markus – General Manager
Joel Kuperberg, General Counsel
Randy Fick, CFO/Treasurer
Judy-Rae Karlsen, Assistant District Secretary
Bonnie Howard, John Kennedy, Melissa Ochoa
Vishav Sharma

Alternates

Steve Sheldon
Philip Anthony (present)
Roman Reyna
Jordan Brandman (arrived 8:10 a.m.)
Cathy Green (present)

Others

Doug Brown - Stradling, Yocca, Carlson, & Rauth
Robert Porr - Fieldman Rolapp & Associates
Andrew Hamilton – Mesa Water

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Nguyen, seconded by Director Anthony and carried [4-0].

[Yes- Dewane, Nguyen, Anthony, Green /No – 0]

1. Minutes of Previous Meeting

The Minutes of the Administration/Finance Issues Committee meeting held October 13, 2016 were approved as presented.

2. Monthly Cash Control Report

Recommended by Committee for approval at November 16 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated October 31, 2016.

3. Investment Portfolio Holdings Reports

Recommended by Committee for approval at November 16 Board meeting: Receive and file the Investment Portfolio Holdings Reports dated October 31, 2016.

4. Biennial Review of OCWD Conflict of Interest Code

Recommended by Committee for approval at November 16 Board meeting: Adopt amended Conflict of Interest Code revised Exhibit A, and direct District Secretary to submit amendment to Orange County Clerk of the Board prior to December 31, 2016.

5. District Travel / Expense Reports – FY 2015–16

Recommended by Committee for approval at November 16 Board meeting: Receive and file District Travel and Expense reports for FY 2015-16.

6. Underwriting Services for 2009A COP Refunding

Recommended by Committee for approval at November 16 Board meeting: Select Bank of America Merrill Lynch for an amount not to exceed \$1.156 per \$1,000 bond for underwriting services to refund the 2009A Certificates of Participation.

7. Sponsorship of the Santa Ana Watershed Project Authority and the Water Education Foundation's 2017 Santa Ana River Watershed Conference

Recommended by Committee for approval at November 16 Board meeting: Authorize financial participation in the Santa Ana Watershed Project Authority and Water Education Foundation's 2017 Santa Ana River Watershed conference in the amount of \$5,000.

MATTERS FOR CONSIDERATION

Director Flory and Director Brandman arrived during the following discussion.

8. Budget to Actual Report for First Quarter FY 2016-17

District Treasurer/Chief Financial Officer Randy Fick introduced Accounting Manager Melissa Ochoa and noted that she would present the Budget to Actual Report. Ms. Ochoa reviewed the Budget to Actual Report for the First Quarter of fiscal year 2016-2017 and advised that General Fund costs are \$2.6 million under budget primarily due to lower water production costs and lower costs for professional services in the Hydrology department. She advised that water purchases were \$5.4 million over budget and the District is maximizing water purchases from Metropolitan Water District. Ms. Ochoa stated that the District's debt service was \$615,006 lower than expected due to lower than expected interest rates and she reviewed department variances that were footnoted in the report. The Committee then took the following action.

Upon motion by Director Nguyen, seconded by Director Anthony and carried [5-0], the Committee recommended that the Board at its November 16 Board meeting: Receive and file the Budget to Actual Report for First Quarter of Fiscal Year 2016-17 ending September 30, 2016.

[Yes- Dewane, Flory, Nguyen, Anthony, Brandman /No – 0]

9. Statement of Investment Policy FY 2016-17

Mr. Fick reviewed the District's Statement of Investment Policy and then recommended the following changes be adopted by the Board; 1) Increase the allowable Local Agency Investment Fund (LAIF) investment limit from \$50 to \$65 million; 2) Add maximum remaining maturity of five years or less to medium-term corporate notes and delete the non-callable language from medium-term notes; 3) Add maximum maturity of five year to asset-backed securities; and 4) Detail the process for exceeding maximum maturity limits. He stated the recommended changes comply with the California Government Code statute that regulates the investment of public funds. There was a brief discussion on the calculation of risk and then the Committee took the following action.

Upon motion by Director Anthony, seconded by Director Flory and carried [5-0], the Committee recommended that the Board at its November 16 Board meeting: Adopt the Statement of Investment Policy for Fiscal Year 2016-2017.

[Yes- Dewane, Flory, Nguyen, Anthony, Brandman /No – 0]

Director Bilodeau arrived at 8:25 a.m. during the following discussion.

10. Debt Management Policy

Mr. Fick advised the proposed Debt Management policy sets forth parameters for issuing debt, managing outstanding debt, and provides guidance to decision makers regarding the timing and purposes for which debt may be issued; types and amounts of permissible debt; and the method of sale that may be used. He stated that the adherence to a debt policy helps to ensure the District debt is issued and managed prudently in order to maintain a sound fiscal position and current credit ratings. The Committee discussed the proposed policy and recommended the inclusion of the following:

'If the sale includes obligations that allow for the compounding of interest, including, but not limited to, capital appreciation bonds, or negative amortization, the resolution of the board of directors authorizing the obligations shall disclose the financing terms and time of maturity of such obligations and the agenda item shall identify that obligations that allow for the compounding of interest or negative amortization are proposed and the board of directors shall be presented with all of the following:

- (1) An analysis from the District financial advisor containing the total overall cost of the obligations that allow for the compounding of interest or negative amortization.**
- (2) A comparison prepared by the District financial advisor of the overall cost of comparable current interest bonds.**
- (3) A recommendation of the District financial advisor for the issuance of obligations that allow for the compounding of interest or negative amortization, including the specific reasons therefor."**

After a brief discussion on debt structures, the Committee then took the following action.

Upon motion by Director Anthony, seconded by Director Flory and carried [5-0], the Committee recommended that the Board at its November 16 Board meeting: Adopt the Debt Management Policy.

[Yes- Dewane, Flory, Nguyen, Bilodeau, Anthony /No – 0]

11. Documents for 2016A Refunding Revenue Bond Issuance

Doug Brown (Stradling, Yocca, Carlson, & Rauth) and Robert Poor (Fieldman Rolapp & Associates) advised the Committee on the District's strategy for refunding revenue bonds. They explained disclosures in the Escrow Agreement and discussed security law training. Mr. Fick stated the Board must approve and adopt a resolution that authorizes execution and delivery of Indenture, Escrow Agreement, Purchase Contract, Continuing Disclosure Certification, and the Preliminary Official Statement in support of a fixed rate refunding revenue bond issuance to refund the 2009A Certificates of Participation not to exceed \$118 million including fees. Mr. Fick stated that staff will monitor the financial landscape and prepare for the advance refunding of the 2009A COPs, a rating agency presentation, and rating agency calls in November/December 2016. The Committee recommended approval of this matter and requested this item be agendized as a Matter for Consideration at the November 16 Board meeting. The Committee then took the following action.

Upon motion by Director Anthony, seconded by Director Flory and carried [5-0], the Committee recommended that the Board at its November 16 Board meeting: Adopt a Resolution authorizing execution and delivery of Indenture, Escrow Agreement, Purchase Contract, Continuing Disclosure Certification, and the Preliminary Official Statement in

support of a fixed rate refunding revenue bond issuance to refund the 2009A COPs not to exceed \$118 million including fees.

[Yes- Dewane, Flory, Nguyen, Bilodeau, Anthony /No – 0]

INFORMATIONAL ITEM

12. Monthly Cash Disbursements Report

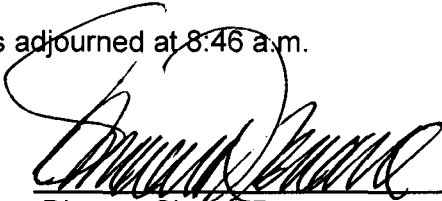
There was no verbal report presented on this item.

ITEMS TO BE AGENDIZED ON CONSENT CALENDAR AT THE NOVEMBER 16 BOARD MEETING

It was agreed that Item Nos. 2-10 be agendized on the Consent Calendar and Item No. 11 be agendized as a Matter for Consideration at the November 16 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 8:46 a.m.



Director Shawn Dewane