

September 14, 2011

A special meeting of the Board of Directors of the Novato Sanitary District was held at 7:30 p.m., Wednesday, September 14, 2011, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President William C. Long, Members Michael Di Giorgio, Jean Mariani, George C. Quesada, and Dennis Welsh.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James, Deputy Manager-Engineer Sandeep Karkal, Administrative Secretary Julie Swoboda and District Counsel Kent Alm.

ALSO PRESENT: Chick Adams, Jones Hall, Bond Counsel
Tom Gaffney, Bartle Wells Associates
Suzanne Crow, Novato resident
Brant Miller, Novato resident
Jerry Peters, Novato resident

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL:

On motion of Member Quesada, seconded by Member Di Giorgio, and carried unanimously, the agenda was approved as mailed.

PUBLIC COMMENT:

Suzanne Crow, Novato resident, questioned why a Special meeting was necessary when a regular Board meeting was held two days prior. She commented on the Neighborhood meeting which was held on August 29th at the District and felt that not enough action has been taken in regards to the residents' concerns about odor, light and landscaping issues.

FINANCE:

- Consider acceptance of the proposal from the Bank of New York Mellon to serve as trustee. The Manager noted that at their meeting on August 22nd, the Board had reviewed the proposals from four banks. The Bank of New York Mellon was determined to offer the required services at the lowest total cost and was the recommended selection. She stated that the decision was deferred while board members verified that there was no conflict of interest. She stated that District Counsel had reviewed the facts provided and determined that there is no conflict of interest and requested the Board accept the proposal from the Bank of New York Mellon to serve as Certificate of Participation (COP) Bond trustee.

District Counsel Kent Alm further clarified the conflict of interest issue between a Board member and the Bank of New York Mellon and stated that no conflict of interest exists that would hinder the District from moving forward on this issue.

On motion of Member Quesada, seconded by Member Di Giorgio and carried unanimously, the Board accepted the proposal from the Bank of New York Mellon to serve as trustee for the Certificates of Participation.

- Consider approval of Resolution No. 3034, authorizing the issuance and sale of Wastewater Revenue Certificates of Participation (COP), Series 2011, in the Principal Amount of Not to Exceed \$22,500,000 to provide financing for Wastewater System Improvements, and approving related documents including installment Sale Agreement, Trust Agreement, Official Statement Notice of Sale, and related actions. The Manager explained and outlined the course of actions the District Board and Chick Adams of Jones Hall utilized to determine the amount and timing of the Certificate of Participation bond sale. She stated that before the Board was the decision to sell COP bonds, to agree on the bond term and to adopt the associated documents. She stated that the Preliminary Official Statement had been previously presented to the Board and their comments have been incorporated into the final statement. She introduced Tom Gaffney of Bartle Wells Associates and Chick Adams of Jones Hall.

Mr. Gaffney gave an overview of the decision before the Board. The Board discussed the bond sale documents and provided minor changes and revisions to Mr. Gaffney.

Member Di Giorgio questioned District Counsel on the status of the letters the District received from residents who contended the sewer service charge rate structure was illegal. District Counsel Kent Alm stated that the letters received from the apartment owner's Association and others, have been reviewed by Counsel. He stated that it is illogical to use the measure of water use as the only criteria for setting rates because a large percentage of the operational costs are fixed. He stated the Ordinance the District currently uses takes into account current water use and is competent and valid. He stated the Ordinance does not need to be modified at this time, based on the comments he has heard from the apartment owners' association.

Member Quesada moved approval of the Resolution and all the related documents. Member Mariani seconded the motion. Discussion continued.

Mr. Gaffney discussed the Preliminary Official Statement and stated he will make changes to the documents as per the Board's direction.

Mr. Gaffney called for recommendations from the Board as to the life of the bond. The Manager discussed the financial options associated with the 20 year and 23 year COP bond and recommended the Board approve the 20 year bond. She pointed out the financial benefits of the 20 year COP bond.

Member Di Giorgio moved to accept the 20 year COP bond. President Long confirmed with the maker and the seconder of the motion their approval of this change.

Mr. Gaffney introduced Bond Counsel Chick Adams, Jones Hall, who reviewed the legal structure of the COP bonds and further explained the details of the bond sale process.

District Counsel Kent Alm discussed Resolution 3034 which contemplates that minor types and edits will be accepted by the Manager-Engineer into the final document. He quoted the Resolution as stating: “..in substantially the respective forms on file with the Manager-Engineer, together with any changes therein or additions thereto approved by the Manager-Engineer: “

Tom Gaffney and Chick Adams explained the process and time-line of the bond sale transaction. He stated the process moves rapidly and the necessary decisions will need to be made quickly.

The Manager stated that after discussion with Bond Counsel, the COP bond amount would be \$22 million instead of \$22.5 million as was stated at previous meetings.

District Counsel clarified that Resolution No. 3034 would be adopted with all of its contents with the alteration that the amount of the COP bond would not exceed \$22 million and the term of the COP bond would be 20 years.

President Long called for Public Comment.

Suzanne Crow requested more details in regards to the Southgate Reserve Fund as shown on Table 1. The Manager explained that the Southgate development was accepted into the District but there were some issues with the sewer collection lines. She stated that the funds shown on Table 1 were set aside from the settlement to fund potential costs if the sewer system should fail.

Ms. Crow questioned the SRF Reimbursement as shown on Table 2. The Manager replied that this entry shows the final payment to the District as part of the State Revolving Fund (SRF) Loan.

Ms. Crow expressed her concern that the District could issue a bond for \$22 million without a vote from the Novato residents.

President Long called for the question.

On motion of Member Quesada, seconded by Member Mariani and carried unanimously, the Board approved Resolution No. 3034 as amended with the amendment being that the term of the COP bond shall be for 20 years and the principal amount of the COP bond shall be for an amount not to exceed \$22,000,000. The Board approved Resolution No. 3034: Resolution of the Board of Directors of the Novato Sanitary District Authorizing the Issuance and Sale of Wastewater Revenue Certificates of Participation, Series 2011, in

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the Principal Amount of Not to Exceed \$22,000,000 to Provide Financing for Wastewater System Improvements, and Approving Related Documents and Actions.

ADJOURNMENT: There being no further business to come before the Board, President Long adjourned the meeting at 8:25 p.m.

Respectfully submitted,

Beverly B. James
Secretary

Julie Swoboda, Recording